SUPERIOR COURT OF THE STATE OF CALIFORNIA
FOR THE COUNTY OF SAN FRANCISCO

CERTIFIED COPY

JANET C. MANGINI, on behalf)
of the General Public,)
Plaintiff,)
vs.) No. 939359
R. J. REYNOLDS TOBACCO CO.,) VOLUME I
et al.,)
Defendants.)

Deposition of REGENA PASTERCZYK, at 425 North Cherry Street, Winston-Salem, North Carolina, commencing at 9:00 A.M., Thursday, July 17, 1997, before Patricia Jaeger, Registered Professional Reporter, Notary Public.

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ALSO PRESENT:

RALEIGH ELLISON, JR., VIDEOGRAPHER

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THE VIDEOGRAPHER: The time is 9:00. This begins Tape 1. This is the deposition of Regena C. Pasterczyk, being taken in the matter of Mangini vs. R. J. Reynolds Tobacco Company, et al. This is being heard in the Superior Court of the State of California, San Francisco County, File No. 939359.

The court reporter may now place the witness under oath.

REGENA PASTERCZYK,

having been first duly sworn, testified as follows:

EXAMINATION

BY MR. ROWE:

Q. And could you spell your name for the record, please.

A. Regena is R-E-G-E-N-A. C. Pasterczyk is P-A-S-T-E-R-C-Z-Y-K.

Q. Thank you. And you're employed at R. J. Reynolds Tobacco Company?

A. Yes.

Q. As a senior brand research manager for Winston?

A. Yes.

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Q. My name is Jonathan Rowe, and I represent the plaintiffs in Mangini vs. R. J. Reynolds Tobacco Company, and other parties. Have you ever had your deposition taken before?

A. No.

Q. Okay. Well, I'm going to tell you a little bit about what we're going to do today then. I'm going to be asking a series of questions, and the court reporter will take down my question, your answer, and anything that anyone else says. So it's important for each of us to try to let the other finish, so she doesn't have to try to take us both down at once. Even though the video can catch us both at once, the court reporter cannot. So I'll do my best to let you finish your answers, and if you could let me finish my questions. Sometimes you may guess or know where I'm going, my questions will be so obvious, but it's still best to let me finish.

From time to time your counsel may state an objection to one of my questions. We don't have a judge here, so the process will go I'll ask the question, Ms. Bixenstine will state the objection, and then we will still want an answer from you unless she instructs you not to answer that question. I'm entitled to an answer to all of my questions except

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those that your counsel deems to be invading a privilege of some type. Or if I were to ask any that she deemed harassing and vexatious, but that certainly won't happen with me. So otherwise it's important to try to keep my question in mind. I know sometimes it may be interesting to listen to the objections, but they're really stated for the record so that later on we can get a ruling from the judge. And if the judge sustains the objection, then the question and answer may be discarded in whole or in part. But we go ahead and get them today, so we wouldn't have to bring you back after we got rulings from the judge.

I'm going to ask questions and ask you that when you hear a question, you let me know if you have any difficulty understanding it or if it's confusing. And then if you answer, I'm going to go ahead and assume that you did understand it. Okay?

A. Okay.

Q. All right. And it will be necessary for you to give audible responses, yeses and nos, rather than nods of the head. And yesterday I was found guilty of some uh-huh's which is difficult for the court reporter to take down. So as much as possible if you can try to say "yes" and "no," or whatever

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else you need to say in response. Okay?

A. Okay.

Q. Your testimony today, Ms. Pasterczyk, is being given under oath, and it may be used at the trial of the case in lieu of you coming out to California. You may come to California, but you may not. And so this could turn out to be your trial testimony. It's under oath in the sense that all of it is subject to the penalties of perjury, so it's very important that you take seriously the need to figure out the answers to the questions, and give me the most accurate answers you can.

A. Okay.

Q. If you don't know something, that's okay. But I am entitled to your best estimate in situations where we're looking for an estimate of a date or a time. And as long as you label it as such, we'll be fine. Okay?

A. Okay.

Q. Do you have any questions for me so far?

A. No.

Q. Okay. And you're in good health today?

A. Yes.

Q. Okay. Nothing would interfere with your ability to testify today?

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A. No.

Q. Prior to coming here today, did you have occasion to look at any documents?

A. I looked at a couple of documents with my attorney.

Q. Okay. What documents did you look at?

A. Documents related to Camel in this case.

Q. Do you remember what they were specifically?

A. Generally related to 18-to-24-year-old smokers.

Q. Do you remember the time period of the documents?

A. During the time that I worked on Camel.

Q. And what time period was that?

A. 19' -- August, 1991, until November, '94.

Q. You didn't look at any documents that predated August, '91, that you remember?

A. No.

Q. How long did you meet with counsel?

A. I met with Kim, I think four hours one day and maybe three hours another -- four hours two days, two different days, and with Ted about three hours.

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Q. Well, hopefully we'll be here a lot less than that today. Can you tell me briefly your educational background?
A. I have a BS in Marketing from the University of South Carolina and an MBA from there also.
Q. When did you get the MBA?
A. 1977.
Q. Okay. When did you get the BS?
A. 1973.
Q. And where -- did you go to work immediately after getting your MBA?
A. Yes.
Q. Where did you go to work?
A. At Ford Motor Company.
Q. In?
A. Dearborn, Michigan.
Q. And what was your position there?
A. Compensation and benefits analyst.
Q. And how long did you work for Ford?
A. Five years.
Q. And where did you go from there?
A. I went to R. J. Reynolds Tobacco International.
Q. As a?

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A. Compensation and benefits analyst.
Q. And you worked there for how long?
A. Two and a half years.
Q. And then you went to R. J. Reynolds Tobacco Company?
A. Right.
Q. When you were working for RJR TI, where were you located?
A. In Winston-Salem.
Q. And when you moved over to RJR Tobacco you stayed in Winston-Salem?
A. Yes.
Q. Have you been located in Winston-Salem since 1984?
A. Yes.
Q. When you came on as a marketing research analyst in January, 1984, were you -- what department was that in? Was that in Research and Development or in Marketing or --
A. It was Marketing Research.
Q. Marketing Research.
A. It's had several names over the years I've been there. I'm not exactly sure what the name was at the time.
Q. Do you consider yourself to be in the

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same department today that you were in 1984?

A. Yes.

Q. And is the -- you're currently senior brand research manager for Winston; right?

A. Right.

Q. To whom do you report?

A. Doug Webber.

Q. And to whom does Mr. Webber report?

A. Dave Iauco.

Q. So is it fair to say that you're in the marketing end of things rather than the research and development end, at least at this time?

MS. BIXENSTINE: Objection to the form of the question.

BY MR. ROWE:

Q. You can answer.

A. I'm in Marketing Research.

Q. Marketing Research. I had understood from Mr. Iauco that there's a -- and from Mr. Pennell that there's a marketing kind of department and a Research and Development Department, and the Research and Development Department is headed up by --

MS. BIXENSTINE: Mr. Burger. Dr. Burger.

BY MR. ROWE:

Q. Dr. Burger. You're not in Dr.

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Burger's --

A. No.

Q. -- end of things?

And from 1984, you've not been in Dr. Burger's end of things or whoever preceded him?

A. That's correct.

Q. When you were a marketing research analyst in 1984, did you have any particular brands you were responsible for?

A. No.

Q. What were your duties?

A. I did the analysis of some of the tracker documents and the NFO switching panel documents.

Q. And what are the tracker and NFO switching documents?

MS. BIXENSTINE: Compound. Objection. Compound. Take them one at a time.

MR. ROWE: We'll do one at a time. Yeah. That's fine.

BY MR. ROWE:

Q. What are the tracker documents?

A. The tracker system is a nationally projectable consumer system that monitors adult smoking among 18-plus smokers.

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Q. I'm sorry? Nationally projectable?
A. Yes.
Q. What was the next name?
A. Sample.
Q. Sample.
A. Of adult smokers, such that we can determine share of smoker by brand demographics, so forth.
Q. Okay. And then what is the NFO data?
A. The NFO switching panel was a panel that we had that was there to help us determine the amount of switching that occurred in -- over a six-month period among adult smokers.
Q. Is it also a nationally projectable sample of adult smokers?
A. I -- I'm not certain. It -- we've discontinued it some years ago, and I don't recall exactly whether it was nationally projectable or not.
Q. Okay. Do you remember approximately when it was discontinued?
A. I believe it was around 1987.
Q. Do you know why it was discontinued?
A. Because we started using the diary system.
Q. And what is the diary system?

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A. The diary system was a larger sample of smokers that we had record in a monthly diary all of their cigarette purchases, including the brand that they normally smoked as their usual brand as well as any occasional brands they may have smoked during the month.

Q. And when you say it was a larger group of smokers, larger than the NFO group?

A. I believe it was.

Q. So it was a larger group of smokers who recorded in a diary all of their cigarette purchases? Is that --

A. Yes.

Q. Are you still using the diary system today?

A. No.

Q. When did you discontinue that?

A. In 1993.

Q. Has it been replaced by anything?

A. Some of the measures are obtained in the tracker system now. But the system as it was in the diary is no longer in existence.

Q. Do you use anything to focus on switching or does tracker do switching for you?

A. It doesn't really do switching anymore.

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Q. Do you have anything that measures switching?
A. No.
Q. Did the diary measure switching?
A. It -- yes. It could measure switching from the standpoint of it was a static panel of smokers and in month A they claimed one brand and in month B they claimed another.
Q. Right. Is there any particular reason that RJR doesn't collect switching data anymore?
A. It was extremely expensive.
Q. Were there any concerns about the accuracy of the data that was collected?
A. Well, it was -- it was -- I wouldn't say -- well, it was not totally projectable because it required a certain type of smoker who would agree to fill out a document every day for a month and not every typical smoker would agree to do that kind of thing.
Q. Right. How about the earlier NFO switching panel? Was that also discontinued because it was expensive?
A. I'm not exactly sure why it was discontinued other than that the diary was deemed a better system for some reason. And I don't recall

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all the reasons.

Q. When the diary was discontinued, was there any discussion about going back to the NFO switching panel?

A. Not that I'm aware of.

Q. In November of 1984, you became a -- well, you were still a marketing research analyst, but on your resume which you've kindly provided and which I think we better mark as Deposition Exhibit-154 --

(Plaintiff's Exhibit No. 154 was marked for identification and retained by counsel.)

BY MR. ROWE:

Q. -- you placed -- did you fill this out?

A. Yeah -- well, I told Kim, and she put it together, and I reviewed it for accuracy.

Q. All right. The information is recorded, paren, Now and Vantage, so I assume you've had some kind of specific responsibility for those brands only?

A. Yes.

Q. And then starting in January of 1986, you became a senior research analyst. It says More and Sterling/New Brands Research.

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A. Yes.
Q. Was Sterling a new brand at that time?
A. No. For part of that time frame I worked on More and Sterling, which were existing brands, and then I moved to New Brand Research.
Q. Was -- what differences are between a marketing research analyst and a senior marketing research analyst?
A. It's more experience and more ability to work on your own with less supervision.
Q. To whom were you reporting when you were senior research analyst?
A. Cindy Hunter for part of the time, Emily Etzel for part of the time, and possibly Susan Teague for part of the time.
Q. Susan Teague?
A. Teague. T-E-A-G-U-E.
Q. Is Susan Teague related at all to Claude Teague?
A. I have no idea.
Q. Have you ever reported to Diane Burrows?
A. No.
Q. Is she -- was she in your area?
A. She was in our department.
Q. What was her position?

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MS. BIXENSTINE: Objection. Can you specify that time frame?

MR. ROWE: Yeah. Okay.

BY MR. ROWE:

Q. What was her position when you joined in 1984?

A. I don't recall.

Q. Okay. Do you recall any positions she's held at RJR? She's not there now; right?

A. No.

Q. Before she left, do you recall any positions she held?

A. In our department she was -- she worked in the forecasting area for some of the time and she worked in Strategic Research for some of the time, and I don't know where else. I don't recall where else.

Q. And you sounded like perhaps she worked in another department for part of the time?

A. Yes. She worked in Marketing.

Q. Well, now, I would have thought -- I know you're in Marketing Research?

A. Yes.

Q. Is that a separate department from Marketing?

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A. Yes.

Q. In 1987, July of 1987, you became assistant marketing research manager for Now and More?

A. Yes.

Q. What new duties did that move involve?

A. It was a continuation of the same types of areas of responsibility, but again with more experience, less supervision.

Q. And then in September of 1989 -- oops! Sorry.

In July of 1988, you became marketing research manager for Winston and Vantage?

A. Yes.

Q. The promotion also?

A. Yes.

Q. And any new responsibilities?

A. Well, the brand research responsibilities are essentially the same kinds of responsibilities.

Q. And those are?

A. Conducting all of the marketing element research for the brand's specific projects.

Q. Brand's specific projects would be ideas for promotions that people had?

MS. BIXENSTINE: Objection. Are you saying is that an example of something?

BY MR. ROWE:

Q. Is that an example?

A. That's one example.

Q. Can you give me some others?

A. Advertising research, packaging research, concept and product research, segmentation research, and market performance and tracking research.

Q. What is -- I'm sorry. Are there any others?

A. That's a good summary.

Q. What is segmentation research?

A. It's a -- it's an understanding of the psychographics of adult smokers.

Q. Psychographics of adult smokers is why they smoke?

A. No.

MS. BIXENSTINE: Objection. Okay. Go ahead.

THE WITNESS: It's more attitudinal about their lifestyle, life types, things that they do or enjoy.

BY MR. ROWE:

Q. And concept and product research involves?

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A. Generally, it would involve new brand ideas or testing or line extension ideas and testing.

Q. Trying out a new type of cigarette or a new line of cigarette to see how popular it is?

A. A new package configuration; a new length or width of cigarette.

Q. The segmentation research that's done to determine the psychographics of adult smokers, what use is made of that by RJR Tobacco after you have that research in hand?

A. It's used to understand diagnostically the adult smokers who choose our brands and competitive brands better.

Q. Diagnostically?

A. (Witness nodded head affirmatively)

Yes.

Q. Is that a term of art in the marketing world? Can you help me with that one?

A. It just helps us diagnose and understand better consumer motivations and brand choices.

Q. And why does RJR want to understand consumer motivations and brand choices?

A. So that we can understand our consumers and our competitive consumers better.

Q. And is it to allow you to position your

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products so as to capture the maximum share of the market?

A. It's to help us in refining positionings and developing positionings for new brands if we were working on new brands.

Q. And the reason for refining positionings or developing positionings for new brands is to try to sell more cigarettes; right?

MS. BIXENSTINE: Objection.

THE WITNESS: It's to make our brands relevant to adult smokers' wants.

BY MR. ROWE:

Q. Wants?

A. Wants.

Q. So that they'll buy them?

A. So that they'll choose our brands over a competitive brand.

Q. In September of 1989, you became the marketing information manager for Vantage, More, and Now. What's the difference between a marketing research manager and a marketing information manager?

A. We were going through some organizational changes at the time, and for part of that time I believe I may have reported to a person -- a director in the Marketing Department.

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Q. Were you responsible --

A. I'm not sure actually if I did. If I did report to a person in the Marketing Department or not.

Q. Were your responsibilities as an information manager different than those as a research manager?

A. They were not substantively different. No.

Q. Then you became a senior information manager?

A. Yes.

Q. For Vantage, More, and Now. Did you have any change in your duties then?

A. Essentially the same types of responsibilities.

Q. Still overseeing research for advertising, promotion, packaging, concept and product, segmentation, and market performance and tracking?

A. Yes.

Q. In August of 1991, you became senior information manager for Camel?

A. That's correct.

Q. And I think you indicated earlier that

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you worked on -- exclusively on Camel from August of '91, till November of '94?

A. Yes.

Q. At which time you became the senior brand research manager for Winston?

A. Right.

Q. Was that a promotion on the -- over to Winston or a lateral move?

A. Lateral move.

Q. Any particular reason why you left Camel for Winston? Reassignment or --

A. Just reassignment.

Q. Any particular reason that you were brought over to Camel from Vantage, More, and Now?

A. Just for more career development, opportunities, working on different brands and different issues with different brands.

MR. ROWE: I'd like to mark as Deposition Exhibit 155 a document titled "Consumer Research Report," dated May 8, 1984, authored by you and sent to a large number of people within RJR.

(Plaintiff's Exhibit No. 155 was marked for identification and retained by counsel.)

BY MR. ROWE:

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Q. And unfortunately I only have this one copy, so I'm going to hand it to you to look at. But in an effort to be efficient, I'm going to let you know that my questioning will focus almost exclusively, if not exclusively, on the first page. But you're welcome to read the whole document, which I assume your counsel will want to look at.

MS. BIXENSTINE: Take a look at it. Take your time.

THE WITNESS: (Reviewing document)

MS. BIXENSTINE: When you're ready, just let him know.

THE WITNESS: Okay.

BY MR. ROWE:

Q. If I could just see it for a second. Thanks.

You were the author of this report?

A. Yes.

Q. And you wrote this in the course of your employment at RJR?

A. Yes.

Q. And what was the purpose of writing a report that's titled "Consumer Research Report, Key Trends Among Target Age Group Smokers"?

A. It was a total industry look at company

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and brand share smoker.

Q. And this was one of those reports you mentioned on share of smoker by brand --

A. Right.

Q. -- demographics?

A. Uh-huh. Yes.

Q. And what use did RJR make of this kind of report, or this report?

A. It was just a corporate overview of our company's performance as well as competitive company and brand performance for general corporate information.

Q. Under the key trends among target age group smokers on page 1, just been stamped for the record RJR 465879, you've written that because smoking incidence has declined over the last four years -- and that's written in 1984 -- and population size has remained flat, younger adult group now accounts for a smaller proportion of smokers and consumption than it did four years ago. Nevertheless, because young adult smokers are the only source of replacement smokers, they will continue to be an important smoker segment.

I'm looking at the first paragraph there. And my question is what was the source of

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your statement that young adult smokers are the only source of replacement smokers?

A. It's probably a misstatement, because there are some smokers who -- adult smokers who start smoking after they're 24 years old. But the largest group of smokers would -- for our marketing and targeting purposes would be adults 18 to 24.

Q. And how did you know that as you wrote that in May of '84?

A. From -- well, our corporate policy has been, as long as I've been with the company, to market and position brands to adult smokers 18 plus; and then since 1992, 21 plus.

Q. Right. My question is how did you know that the largest group of smokers would be under 24?

MS. BIXENSTINE: Objection to the form of that question. Misstates her testimony.

BY MR. ROWE:

Q. I understood you earlier to say that there might be some smokers who would start after the age of 24, but that the largest group would start before 24?

A. I believe that the largest group would be the first adult group into the market that we were monitoring, which would be 18 to 24.

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Q. Right. And I'm not quarrelling with you, understand. I just wanted to know what -- how you knew that as a marketing research analyst writing a report of this size for your company. I just wondered what was your source of information?

A. Generally accepted marketing research information.

Q. Do you recall if you had any particular documents available to you as you prepared the report that's been marked as Deposition Exhibit 155?

A. The document that this was based on was the tracker and the purchase pattern system information.

Q. I'm sorry?

A. Whether there were any other -- any other documents that I had at that time, I don't recall.

Q. You said based on the tracker and the other thing?

A. And the purchase pattern information. It's mentioned in this study.

Q. And did that information tell you that young adult smokers are the only source of replacement smokers?

A. I don't recall.

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Q. Have you ever seen internal studies from Diane Burrows or others at RJR indicating that most smokers start smoking before the age of 18?

A. I don't recall that specifically.

Q. Have you seen studies that show that RJR authored studies that show that most smokers begin smoking before the age of 24?

MS. BIXENSTINE: Objection to the form of the question about RJR authoring studies. Go ahead and answer if you can.

BY MR. ROWE:

Q. Let me see if I can clarify that. Have you seen any documents written by RJR personnel indicating that the majority of smokers start smoking before the age of 24? This current document excepted.

A. I believe that there was a document that Diane Burrows authored that discussed that subject about smoking among 18-to-24-year-olds.

Q. And that was something you did see while you were working at RJR?

A. Yes.

Q. Do you recall whether that document was written before or after you started work there?

A. I believe it was written after I started

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work, but I'm not certain.

Q. Could I have a look at 155? Thank you.

I'm going to show you a document that was previously marked as Deposition Exhibit 147. It's a memo written by Diane Burrows to Mr. P. E. Galyan -- G-A-L-Y-A-N -- on September 20, 1982. And I'll ask you if you've ever seen that before?

A. I don't believe I've seen this before.

Q. This is not the Diane Burrows report you had in mind then?

A. No.

Q. On the second page, if you could look in the middle, she states, If a man has never smoked by age 18, the odds are three to one he never will; by age 24, the odds are 20 to one. Have you ever heard those statistics in the course of your work at RJR?

A. No.

Q. Have you heard sentiments similar to those although perhaps not numerically quantified?

A. Not that I recall.

Q. On the bottom of the third page under "Conclusion," the second paragraph, Ms. Burrows states, Some of these people -- I think it's fair to say that she is referencing those in the table above who are age 12 to 24. Some of these people may later

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choose to start smoking. However, for those 17 to 25, the odds are against it. If we estimate that only half of the new smokers 17 to 25 are permanently lost, the lost industry by 1987, will still amount to .1 percent. Have you ever heard that sentiment expressed before?

A. No. Not that I recall.

Q. Did you ever hear anyone at RJR, Ms. Burrows or otherwise, say that the odds are against someone starting to smoke if they haven't smoked essentially by the time they're 25?

A. Not in those words. No.

Q. You've heard a similar sentiment, though?

A. I've heard that smokers are generally -- who are going to smoke are generally -- have generally started by the time they're 24.

Q. Have you ever seen data compiled such as is compiled on the page in front of you at RJR relating to the percentage of new smokers starting at age 13, 14, 15, 16, and 17?

A. No. I've not.

Q. Thank you.

I show you what was previously marked as Deposition Exhibit 5, another memo by Diane Burrows.

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It's a long one. And my first question -- we may be able to save some time -- is whether this is the memo you had in mind that you had seen from Ms. Burrows that we discussed a few minutes ago? It's dated February 29, 1984, which I believe is shortly before you started work.

A. Shortly after.

Q. Shortly after. It's titled "Younger Adult Smokers Strategies and Opportunities." You're not shown as a cc on the memo, but I want to ask if this is the one you had in mind that you had seen before?

A. (Reviewing document)

Yes. I believe I have seen this before.

Q. And is that the memo you mentioned earlier that Diane Burrows had authored that included sentiments that young adult smokers are the only source of replacement smokers?

MS. BIXENSTINE: Objection. I think that mischaracterizes her testimony.

BY MR. ROWE:

Q. Well, let me -- I don't want to mischaracterize your testimony.

Is that the memo you alluded to earlier in your testimony as having seen at sometime around

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the time you prepared Deposition Exhibit 155?

A. Yes. I believe so.

Q. Okay.

MS. BIXENSTINE: Take a look at the date.

THE WITNESS: Yes. I believe so.

BY MR. ROWE:

Q. On page 2 of the document, which is actually about the 8th or 10th page, because of all the prefatory material, it's Bates stamped 501928471 --

A. Yes.

Q. -- it says up at the front -- up at the top "The Importance of Young Adult Smokers." Under section 1 Ms. Burrows states, Younger adult smokers are the only source of replacement smokers. Is that the source of statement you made in your 1984 memo we marked as Deposition Exhibit 155?

A. I don't recall.

Q. Okay. Do you know the source for Ms. Burrows stating that younger adult smokers are the only source of replacement smokers?

A. No. I don't know what she used.

Q. And you see that just below that she says that, Repeated government studies have shown that less than one third of smokers start after age

51721 7742

18?

A. Yes. I see that.

Q. Okay. Is that something you were aware of during your career at RJR?

MS. BIXENSTINE: Objection. Asked and answered.

THE WITNESS: I think I've said that. Yes.

BY MR. ROWE:

Q. Yes, you were?

A. Yes.

Q. I'm sorry. I did not understand that earlier. Thank you.

Thanks.

You told me earlier that you had an understanding of the company policy relative to the promotion of cigarettes to those under 18.

A. Yes.

Q. Could you tell me again what your understanding of that policy was?

A. My understanding is that our company does not market to smokers under the age of 18 up until 1992. And then since 1992, it has been not under the age of 21.

Q. Is that policy, as you understand, in writing anywhere?

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A. Yes, it is.
Q. Where?
A. There has been I -- I believe it's in the company policy manual. There have been statements issued by at least Jim Schroer, I know.
Q. Written statements?
A. Yes.
Q. In the form of memos to employees or --
A. Yes.
Q. Any other places you can think of where that policy is embodied?
A. We are reminded about it regularly.
Q. Orally or in writing?
A. I believe both.
Q. Any other places?
A. Not that I recall.
Q. Are you aware of any RJR employees who have been reprimanded or disciplined in any way for violation of the policy?
A. I'm not aware of anybody who has violated it.
Q. When RJR promotes its products to smokers 18 to 24, or since 1992 to those 21 to 24, do you recognize any risk that the promotions that you target to 18-to-24-year-olds may also appeal to those

51721 7744

under 18?

A. We are not talking to those under 18. We are only talking to smokers who are adults 18 or older.

Q. How do you ensure that you're not talking to those under 18?

A. We screen for age in all the research we conduct.

Q. The promotions that result from the research you conduct include billboard advertising?

A. That's not a -- what we would term a promotion.

Q. Okay. That's advertising?

A. That's advertising.

Q. The advertising that results from the research you conduct includes billboard advertising?

A. Yes.

Q. Includes magazine advertising?

A. Yes.

Q. Includes some pop-up advertisements in magazines?

A. Yes.

Q. And what steps, if any, does RJR take to ensure that that advertising does not talk to those under 18?

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MS. BIXENSTINE: Objection to the form of the question.

THE WITNESS: Could you clarify that question?

BY MR. ROWE:

Q. You indicated that we're not talking to those under 18. And I would like to know whether RJR takes any steps to ensure that the advertising on billboards and magazines and pop-up ads is not talking to those under 18, communicating with those under 18?

A. The ads that we place are in specific locations. For example, we only include place ads in magazines that have an adult readership -- majority adult readership. We don't place billboard ads in locations that are near schools or playgrounds. That's part of our corporate policy. And I believe part of the advertising and promotion code.

Q. Any other steps you can think of to ensure that these ads don't reach those under 18?

MS. BIXENSTINE: Objection. I think you're mischaracterizing her testimony. She said that when they're doing research, that they, Reynolds, does not talk to people under 18.

THE WITNESS: That's correct.

BY MR. ROWE:

Q. But you're not contending that Reynolds doesn't talk to those under 18 when it advertises?
A. We don't conduct research in order to determine relevancy and appeal of a given marketing element, whether it's advertising, promotion, or whatever. We don't interview or include in any of our research studies anyone under the age of 18, or currently under the age of 21.
Q. Because of that you don't know whether your research appeals or doesn't appeal to those under 18; right?
MS. BIXENSTINE: Objection to the form of the question. Whether their research appeals to someone?
MR. ROWE: Right.
MS. BIXENSTINE: Or the ad appeals to someone?
MR. ROWE: I'll rephrase.
BY MR. ROWE:
Q. You don't know -- because your research excludes those under 18, you don't know whether the ads that result from your research appeal to those under 18 or not, do you?
A. That's correct. Because we do not interview anyone under the age of 18 or 21 in our research.
Q. So if you have an ad that's developed as

51721 7747

a result of your research that appeals strongly to 18-to-24-year-olds but also appeals even more strongly to 12-to-18-year-olds, you don't know that; right?

MS. BIXENSTINE: Objection.

THE WITNESS: We are only asking adult smokers whether it appeals to them.

BY MR. ROWE:

Q. Right. So you have no way of knowing whether it appeals to 12-to-18-year-olds even more than it appeals to adults?

MS. BIXENSTINE: Objection. 12 to 17.

BY MR. ROWE:

Q. 12 to 17?

A. We aren't asking them questions, so we don't know what appeals to 12-to-17-year-olds.

Q. Right. So you have no way of knowing with an ad that results from a particular research effort whether that ad appeals more to 12-to-17-year-olds than it does to 18-to-24-year-olds; right?

A. That's correct.

Q. Are you aware generally of the time frame of the leverage buy-out of RJR Tobacco?

A. Yes.

51721 7748

Q. Sort of late 1989?
A. Right.
Q. In your view, did company policy regarding age of smokers target a change after the takeover?
A. Not that I'm aware of. No.
Q. Have you ever heard employees express the sentiment that RJR is a company with slicing younger and younger after the LBL?
A. No.
Q. Have you ever received any instruction, oral or written, not to write any reports that reference data on underage smoking?
A. No, I have not. I was not aware that we had any data on underage smoking.
Q. Have you ever seen data on underage smoking in RJR reports that were generated prior to your commencing employment in 1984?
A. Have I seen RJR documents prior to 1984?
Q. Right.
A. No. Did I see them prior to 1984 or documents prior to 1984?
Q. Have you seen documents -- since you came to work at RJR, have you seen documents that were written prior to your starting that included

51721 7749

underage data?

A. No. I've never seen any document.

Q. You've seen some documents from before you started but none that had underage data?

A. Exactly.

Q. I'm going to show you what's been marked as Deposition Exhibit 95. It's a memo from G. H. Long to B. A. Horrigan, Jr. And I learned yesterday that when it says "attachment," the document that was at one time attached to it is Exhibit 94, right before it in the documents. So -- in the binder. So perhaps you can look at these two together.

A. (Reviewing document)

Is your question was I aware of this memo?

Q. Have you ever seen either 95 or 94?

A. No.

Q. Okay. If you look at those documents you see that they are referencing the data on 14-to-17-years-olds?

A. Yes. I see that.

Q. And are you aware of any documents that similarly reference data on 14-to-17-year-olds that was generated after you started work at RJR?

A. No. I'm not aware of any.

51721 7750

Q. Do you know why RJR stopped having documents that referenced data on 14-to-17-year-olds somewhere between 1980 and 1984?

MS. BIXENSTINE: Objection. Assumes facts that haven't been established. Go ahead and answer.

THE WITNESS: I -- I don't -- I don't know what occurred before I started working there.

BY MR. ROWE:

Q. Okay. Well, I really was not asking that so much as whether you had heard anything about a change in company policy relating to writing things down about 14-to-17-year-olds? Have you ever heard anything like that?

A. No.

Q. Okay. If you would look please in the same binder at Deposition Exhibit 101, which is a memo dated March 25, 1982, authored by a Mr. Wolfe, who I believe is with M-A-R-C. I think you may have to go one more. I think it may be the document after that 102.

You know what? You had the right one, though. It was 101.

A. Okay.

Q. My apology. For the record, we're looking at Deposition Exhibit 101, which is a March

51721 7751

25, 1982, memo from Mr. Wolfe?
A. Yes.
Q. Do you know Mr. Wolfe?
A. Yes.
Q. Who is he?
A. I believe now he's the president of MARC, Incorporated.
Q. And when you came to work in 1984, was he with MARC?
A. Yes.
Q. Is he someone you've worked with over the years?
A. Yes.
Q. What does MARC do for RJR?
A. They do our tracker system for us.
Q. And that's M-A-R-C, right, for the record?
A. Yes.
Q. They're the ones who do the tracker studies that you -- that you talked about earlier?
A. Yes.
Q. Do you know Dawn August who's referenced in the first or second sentence there?
A. No.
Q. Never met anyone named Dawn August?

51721 7752

A. No. Not that I recall.
Q. Do you see where Mr. Wolfe says that Dawn August is doing a resource search for existing data regarding 12-to-17-year-olds?
A. I see that.
Q. Do you know anything about the results of that resource search?
A. No, I don't.
Q. Did you ever see the results of that even though I recognize you came to work at RJR 18 months later?
A. No. Not that I recall.
MR. ROWE: Well, we've been going nearly an hour. Would you like to take a break?
THE WITNESS: Yes. Thank you.
MS. BIXENSTINE: Yes.
THE VIDEOGRAPHER: We're off the record at 9:58.
(Recess)
THE VIDEOGRAPHER: We're back on the record at 10:06.
BY MR. ROWE:
Q. Ms. Pasterczyk, I'm going to hand you a document that was previously marked Deposition Exhibit 102. It's a letter dated July 8, 1982, from

51721 7753

Diane Burrows to Mr. Michael Hinkle or -- Hinkle at Data Resources, Inc. Do you know Data Resources, Inc.?

A. No.

Q. I'm going to ask you if you've ever seen this document before?

A. (Reviewing document)

I have never seen this document. No.

Q. Okay. Do you have any idea of the research project that's referenced in there? Did you ever hear of that project?

A. Is it AGENIX? Is that what you're calling the research project?

Q. Yes. A-G-E-N-I-X.

A. No. I'm not familiar with that.

Q. Okay. You can see from the document that there was a request from Diane Burrows who was an RJR employee that some information be gathered on 12-to-17-year-olds as well as 18-to-24-year-olds?

A. Yes. I see that.

Q. But you're not -- you were never aware of that?

A. No.

Q. Did the research that you did on the psychographics of adult smokers and their market

51721 7754

performance and tracking include research into the brand loyalty of smokers?

A. The psychographics and what other research type? Market performance and tracking?

Q. Yes. That's what I referenced.

A. In some respects, depending on how you define loyalty.

Q. How would you define brand loyalty?

A. Well, I guess the way that we're currently defining loyalty would be of an adult smoker's total cigarette consumption how much of that total they give to brand A versus brand B.

Q. And is there a particular percentage over which you say that smoker's brand loyal and under which you say that smoker is brand disloyal?

A. Well, typically for a smoker who is telling us how much of their usual brand, the brand they claim as their usual brand, normally we would expect to see them smoking their usual brand about 90 percent of the time or more. And that would be a very loyal adult franchise smoker.

Q. And if they're under 90 percent, do you consider that they still might have a usual brand but they're not a loyal usual brand?

A. Not as loyal.

51721 7755

Q. Not as loyal. And is there a point in which they become only an occasional user of your brand?

A. Well, in our data we would consider anyone who purchased -- any adult smoker who purchases any brand other than their usual brand as an occasioned smoker of that other brand, whether they buy one pack or a carton or whatever.

Q. And there's some smokers who have no usual brand?

A. There's a small proportion who don't claim a usual brand.

Q. Can someone claim a usual brand if they only smoke that brand fifty percent of the time?

A. If they consider it to be their usual brand. It's a personal attitudinal question.

Q. So in your lexicon you don't set a line and say if someone doesn't smoke their brand at least this much, then -- whether they think of it as usual or not, we don't think of it as usual?

A. No.

Q. Okay. You started to answer to a few questions back by saying now we look at the percentage of -- was that indifferent over the time you've worked at RJR in terms of measuring brand

51721 7756

loyalty?

A. I'm not sure, given our other available studies and systems that we had prior to the diary and then now the similar behavioral types of questions that are added onto tracker. I don't recall prior to the beginning of the diary exactly how we measure -- may have measured loyalty.

Q. And the diary started in approximately 1987?

A. Yes.

Q. So at least since 1987, with the diary system, you measured loyalty of smokers by what percentage of their usual brand they're purchasing?

A. Yes.

Q. When you do research in the Marketing Research Department, are projects initiated within your department or within the Marketing Department, or some of both?

A. What do you mean by "initiated"?

Q. Well, let me try it another way. If the brand manager for Camel decides that they want to pursue a certain approach to marketing and they decide that first they want some research to tell them that that approach is going to be good or bad, can they initiate a research project by coming over

51721 7757

to your department saying, We'd like to have you look into this?

A. Yes. We work as a team.

Q. On some occasions does the impetus for the research project come within your own department? We'd like to study this?

A. It depends. But I'm not sure what you mean as brands?

MS. BIXENSTINE: Are you talking about all research, marketing research?

BY MR. ROWE:

Q. No. A particular project. Whether some projects originate within your department rather than coming from the Marketing Department?

A. So projects that are specific to a brand?

Q. Yes.

A. Or projects that are more corporate and global?

Q. Both. Unless there's a difference. I mean any type of project you might be doing in your department?

A. There are occasions --

MS. BIXENSTINE: I'm going to object, because I think the question is vague and overbroad. But go

51721 7758

ahead and answer.

THE WITNESS: There are some occasions when projects could be initiated within our department, but generally projects that are specific to a brand are initiated with a joint team effort, the Marketing Department and the research team that supports that marketing group.

BY MR. ROWE:

Q. On the first type of project, the more overarching project --

MS. BIXENSTINE: What? I'm sorry? What kind of project?

BY MR. ROWE:

Q. The ones that go across more than one brand?

A. Yes.

Q. What percentage of those originate within the Marketing Research Department as opposed to somewhere else in the company?

MS. BIXENSTINE: Objection. Calls for speculation.

BY MR. ROWE:

Q. To the extent you can estimate?

A. I have no idea.

Q. Okay. Is it unusual for an idea that

51721 7759

goes across brands to originate anywhere other than in the Marketing Research Department?

A. I think you may be misunderstanding, because the things that the Marketing Research Department might initiate would be something like, for example, a segmentation study that would be a total industry adult smoker look, and it would be used by all of the brand teams to better understand their particular brand and competitors. So those are the things that our Research Department would initiate on its own. Or something of that sort.

Q. Were you aware in mid-1980's, late 1980's, of a theory that was strongly advanced by Diane Burrows and Mr. Nordine that the critical challenge for RJR was to get first usual brand young adult smokers to choose Reynolds' brands?

A. Yes.

Q. And you're aware that that theory was based upon the premise that smokers are extremely brand loyal so that once they choose a usual brand it's hard to get them to switch?

A. Well, I'm not sure that I would agree with that necessarily, because I think that smokers do switch.

Q. You would not agree with the premise

51721 7760

they had, but you're aware that that was Ms. Burrows' and Mr. Nordine's preference?

A. I'm aware of that --

Q. Right.

A. -- in their report. Yes.

Q. And was there research done to try to confirm or deny that premise about brand loyalty?

A. I didn't do any or I'm not personally aware of what may have been done.

Q. In the course of studying the psychographics of adult smokers or any of the other research you did, did you develop data about the brand loyalty of smokers?

A. Only from the standpoint of what percent of adult smoker volume was their usual brand versus some other brand.

Q. The diary research?

A. Or something like that that you could include in the segmentation study to find out.

Q. And what did the segmentation studies that you saw with respect to Camel, between August of '91, and November, '94, show about the brand loyalty of Camel?

A. I'm -- I don't recall.

Q. Do you recall an indication that in the

51721 7761

case of Camel there was more of its share of smokers were occasional users than other cigarettes or other --

A. I do know that the proportion of Camel's total adult buyers, who were occasional, in other words, didn't claim Camel as their usual brand, was high -- higher than say Winston.

Q. Did you develop any -- and that's in the period August, '91, to November, '94?

A. Yes. And that was from a diary understanding, not from a segmentation study.

Q. And did you develop any hypothesis about why that was?

A. Not that I recall.

Q. Did that fact or apparent fact from the diary have any significance for the marketing or promotion of Camel cigarettes?

A. Well, I think that because Camel had -- has an appeal to an 18-to-34-smoker group, often those earlier 18 to 24 smokers haven't really defined or totally lighted on a specific brand that they smoke most often. And so there would be more occasional usage of a variety of brands among an 18 to 34 group than say a 35-plus smoker group.

Q. As you looked at the reports from the

51721 7762

diaries, between August of '91, and when they were discontinued in 1993, did you see a level of occasional usage of Camel that was higher than you would have expected, given what you've just said about it, Camel having an 18 to 34 market skew?

A. I'm not sure we had an expectation level --

Q. Okay.

A. -- that we were looking for. It was just something that we knew that the diary told us.

Q. So you knew that the product had an 18-to-34-year-old market skew?

A. Yes.

Q. And you saw from the diaries that there was more occasional use of Camel than, for example, Winston?

A. Exactly.

Q. And those two facts didn't seem inconsistent to you, so there was no other research done about it?

A. Right. Because Camel has a more 18 to 34 user skew than Winston does.

Q. I show you a document that we'll mark as Deposition Exhibit 156. It's a memo from you to S. C. Hawkins, dated January 13, 1993. There's some

51721 7763

handwriting right above the date, so it may say 1992. In fact, the handwritten note is dated January 19, '92, which suggests it probably is January 13, 1992, but it's difficult to read. The subject of the memo is "Direct Mail Over Penetration Problem in Diary." And -- this will be 156.

(Plaintiff's Exhibit No. 156 was marked for identification and retained by counsel.)

THE WITNESS: (Reviewing document)
Yes. I remember this.

BY MR. ROWE:

Q. Could you explain to me -- well, first of all, you wrote that memo; right?

A. Yes.

Q. And whose handwriting is that on the top, if you know?

A. Ernie Fackelman.

Q. What is the problem that's being discussed in that?

A. Camel Cash was introduced in I believe September of 1991. And Camel Cash was a program that was available to 21-plus smokers. Because it was a direct mail effort, the program direct mail mailing was sent to a lot of smokers on their database. On

51721 7764

our database you have to be and certify by signature that you are a smoker age 21 or older and that you want special offers.

So it appears that within our diary database part of -- or our diary system, some of the diary respondents were recruited through various sources. And it appears that the direct mail effort may have over-penetrated people who were on the diary so that the diagnostics we were looking at on the diary about Camel and Camel Cash, and so forth, were way out of kilter with what the general market results for Camel were showing.

Q. In other words, if I can try to summarize it in my lay understanding, the diary results were showing more smoking of Camel than perhaps was really going on in the market because the promotion was disproportionately hitting diary keepers?

A. Yes. Yes. True.

Q. Was there anything you were able to do to correct that?

A. I -- you know. I don't recall exactly what occurred as far as making our diary, whether we did proceed with this re-tab or correction, recommendation, or not. I do believe that special

51721 7765

guidelines were put in place to try to ensure that the direct mail efforts in the future didn't go out to an overrepresentation of diary respondents.

Q. I'd like to show you a document that I'll mark as Deposition Exhibit 157. It's titled "RJR Confidential, Business Information and Analysis Research Proposal." It has a number BIAD No. 93-13120, titled "Camel Advertising and Smooth Magazine Qualitative Research."

(Plaintiff's Exhibit No. 157 was marked for identification and retained by counsel.)

BY MR. ROWE:

Q. I'd like you to take a quick look at this document. You are shown as a person who has concurrence, and your initials are on here. But I don't know who the author is.

A. (Reviewing document)
Okay. Yes.

Q. Do you know who authored that?

A. I'm not certain. It could have been me or it may have been Nancy Monda. I see her name on the distribution list and she worked with me at the time.

Q. Do you recognize Deposition Exhibit 157

51721 7766

as a research proposal within RJR?
A. Yes.
Q. Does the number at the top or anything else tell you that it was a 1993 research proposal?
A. Yes.
Q. Is it the number that tells you that or --
A. Yes.
Q. If you could look at No. 7. I think it's over on the second page.
A. No. 7?
Q. Sort of toward the top, there's a --
MS. BIXENSTINE: Right here.
BY MR. ROWE:
Q. Yeah.
A. Oh. Yes.
Q. If you could just read that into the record, please.
A. No. 7, Participants will prefer a format that enhances communication by featuring colorful impact for visuals and less copy.
Q. How was that conclusion reached?
A. It's not a conclusion. These are hypotheses --
Q. Oh.

51721 7767

A. -- that we will be exploring in the qualitative research.

Q. Do you know whether that hypothesis was validated?

A. I don't recall. Typically, that is something that smokers enjoy is less copy that they have to read.

Q. And more colorful visuals?

A. Yes. Just less copy is not appealing generally to smokers.

Q. That's something you've learned in the course of your research work at RJR?

A. Yes. I mean more copy is not appealing to smokers. I may have misstated that.

Q. Right. Is there any difference among ages of smokers with respect to that proposition? In other words, do older smokers prefer more copy or younger smokers prefer more copy or --

A. Smokers in general prefer less -- the less copy, the better. Because the more copy there is, the more cluttered it becomes and the more effort it takes. And I think that's true across all the ages. Older smokers are more avid readers, generally, but I think it's true across all the ages that they prefer less copy in advertising.

51721 7768

Q. So although you don't know whether that particular hypothesis was validated in this study, you know it to be generally true --

A. Yes.

Q. -- that participants will prefer a format that enhances communication by featuring colorful impact for visuals and less copy?

A. That's generally true. Yes.

(Plaintiff's Exhibit No. 158 was marked for identification and retained by counsel.)

BY MR. ROWE:

Q. I show you a document marked Deposition Exhibit 158, memo dated September 4, 1991, from Ken Dobbins to you titled "Camel Share." The question will be if you remember receiving this and what it's about?

A. (Reviewing document)

I was copied on this memo. I'm not -- I can't really say that I recall it particularly. After reading it I understand the gist of what it's saying, I think.

Q. Could you tell me what the gist of it is? What's the problem that's being described?

A. I believe that the tracker system may

51721 7769

have been not -- potentially showing a different or not expected share of smoker trend among 18-to-24-year-olds. They've given prior history.

Q. What was unexpected about the share it was showing? More; less?

A. It may have been not growing any longer, or not growing, or flat, or down, or something. I sort of can't tell which of these lines goes with what data source here, so I'm not exactly sure.

Q. Well, I'm glad to hear that, because I couldn't tell either.

A. It would suggest to me that possibly some of these trends may not -- may be going down in the later months in 199' -- late '90 to '91, or something, potentially. And the question may have come up as to whether we were asking the question correctly about what is your usual brand. And Ken Dobbins is an employee of MARC, and he was simply reiterating that we haven't changed the methology and the question has been asked the same way.

Q. In general, between August of '91, and November of '94, the market performance of Camel as you studied it showed increases?

A. I'm sorry? Would you repeat the question and the dates again?

51721 7770

Q. I was focusing on the period when you said you were directly assigned to Camel, August, '91, to November of '94, and my question was whether during that period the research you did showed an increase over that time period in the share of smokers smoking Camel?
A. In the adult share of smokers smoking Camel; the 18 to 24 share?
Q. How about in the whole adult?
A. There may have been an increase in the total share.
Q. How about in the 18 to 24?
A. Yes. I believe there was an increase in the 18 to 24.
Q. Definitely an increase?
A. Yes.
Q. More of an increase for 18 to 24 than relative to the whole market?
A. Yes.
Q. In fact, there were times when Camel's share of smokers accounted for virtually all of the company's gains during that period of time; right?
MS. BIXENSTINE: Objection.
THE WITNESS: All of the company's what kind of gains?

51721 7771

BY MR. ROWE:

Q. Gains of smokers? Share of smokers?

A. I don't believe that's true.

MS. BIXENSTINE: Objection.

BY MR. ROWE:

Q. Okay. Did you ever see it -- how about -- let me ask you that same question but with a different time frame. From the inception of the Joe Camel campaign, was there a time when Camel's share of smokers accounted for virtually all of the company's gains?

A. I don't believe that's true, because there are other brands, particularly Doral, for example, that has been on a growth trend and it gets switching smokers. It's a savings brand, and it gets older adult smokers who are switchers from full price typically.

Q. But now I want to ask just -- you-all have measured share of smoker on a monthly basis?

MS. BIXENSTINE: Objection. During what period of time?

BY MR. ROWE:

Q. Between the inception of the Joe Camel campaign and today?

A. I believe it is collected monthly, but

51721 7772

we normally don't report it on a month-by-month basis.

Q. What basis is it reported on?

A. Typically, quarterly or half years. In some time frames it had been reported quarterly. I believe now we're only reporting it at half year.

Q. Do you recall any time after the inception of the Joe Camel campaign when the Camel's share of smokers accounted for virtually all of the company's gain in a particular measurement period, quarter or half year?

A. I'm not aware of that being determined. I don't recall it.

Q. I want to show you a document that we'll mark as Deposition Exhibit 159. It's dated October 2, 1989, from John Hribar. H-R-I-B-A-R. It's titled "Younger Adult Smoker Monthly Summary Report." That went to a lot of people in the company, including you. And I'd like to ask if you recall seeing this. And you're certainly welcome to look at the whole document. I want to call your particular attention to the third paragraph and ask you if I'm understanding that paragraph correctly to say Camel's excluding regular share of smokers accounted for virtually all of the company's gains?

(Plaintiff's Exhibit No. 159 was marked for identification and retained by counsel.)

THE WITNESS: (Reviewing document)

Okay. I think what this means is that Camel accounts for all of the company's share of smoker gains among 18 to 24, not all of the company's gains.

BY MR. ROWE:

Q. Overall?

A. Yes. The company is up .8 share points among 18-to-24-year-olds. And Camel is up one share point.

Q. In what period of time is that up .8 or --

A. It's dated August, '89, but it's year ending August, '89, data apparently. Comparison of year ending 8/31/89 versus year ending 8/31/88.

Q. So it's tracking the last 12 months?

A. Yes.

Q. And over that time Camel accounted for all the gains in the 18-to-24 group, but not necessarily all of the gains in the company?

A. Exactly.

Q. Is a one share point gain in a 12-month period a good performance?

51721 7774

MS. BIXENSTINE: Objection. What do you mean by "good"?

THE WITNESS: What do you mean by "good"?

BY MR. ROWE:

Q. Would you consider that to be a strong performance from Camel?

A. I think it would be positive performance for a brand.

Q. If a brand gains a share point every 12 months, how many years would it take until it monopolized the market?

MS. BIXENSTINE: Objection.

THE WITNESS: It unfortunately doesn't work that way.

BY MR. ROWE:

Q. Okay. Normally, brands don't gain a share point in 12 months?

A. No. Well, it would not gain a share point every year on a continuing basis until they monopolized the market. Otherwise, Marlboro would already have a hundred percent of the market.

(Plaintiff's Exhibit No. 160 was marked for identification and retained by counsel.)

BY MR. ROWE:

51721 7775

Q. I want to show you what's been marked as Deposition Exhibit 160. It's another one of these reports from -- this one is from K. Prasad. P-R-A-S-A-D. This one is dated May 18, 1989, entitled "Younger Adult Smoker Monthly Summary Report." These reports on a monthly basis are tracking share of smokers; right?
A. Yes. But I believe they're aggregating more than a month.
Q. They're looking back --
A. It's stated monthly, but it pulls in more than just a month of data.
Q. Who is K. Prasad?
A. He's no longer with our company. He reported to John Hribar.
Q. And is Mr. Hribar with the company?
A. No.
Q. What were their positions when they were working in --
A. They were I believe responsible for the tracker and the diary systems.
Q. Did they report to you?
A. No.
Q. To whom did they report?
A. I'm not sure. It may have been Jim

51721 7776

Gemma.

Q. Were they in a line of reporting to you or you were in a different area?

A. We were in a different part of the Marketing Research Department.

Q. I'm going to show you this document 160. And you're again welcome to look at the whole thing. My particular focus will be on the -- the second bullet point on the first page after the cover.

A. (Reviewing document)

(Plaintiff's Exhibit No. 161 was marked for identification and retained by counsel.)

THE WITNESS: Okay.

MS. BIXENSTINE: Can I see it just one second?

BY MR. ROWE:

Q. This document also went to you?

A. Yes.

Q. And you remember receiving it in the normal course of business?

A. Not specifically, but yes.

Q. You certainly received documents of this type?

A. Like this. Yes.

Q. Right. And if I could have it back for

51721 7777

a second, I need to look at that.

On the second bullet point on the first page after the cover page, which is Bates stamped RJM046051, Mr. or Ms. Prasad -- is that --

A. Mister.

Q. Mr. Prasad. Am I saying --

A. Prasad.

Q. Prasad. Says that Camel's ex regular -- does that mean excluding regular?

A. Yes. It's talking about the Camel filter styles excluding the nonfilter styles.

Q. Why do you measure excluding the regular?

A. Because the regular is the nonfilter style and the whole nonfilter category is declining in the market.

Q. Is the nonfilter version of Camel, the regular, is that the one that appeals to the older franchise?

A. It is a style that typically is smoked by older adults.

Q. Camel's ex regular share -- then there's another parenthetical. Looks like it's 4.1 percent, among 18 to 24 smokers in the 12-month period ending February, 1989, was up 1.2 share points versus a year

51721 7778

ago. Camel's improved performance versus year ago among 18 to 24 smokers is benefiting from the stronger younger adult smoker emphasis in the brand's advertising and promotion strategy throughout 1988.

Do you agree with that statement?

MS. BIXENSTINE: Do you want to put it in front of her?

BY MR. ROWE:

Q. It's really the second sentence I'm focusing on.

A. That was probably believed. Yes.

Q. The advertising and promotion were working?

MS. BIXENSTINE: Objection. I think it calls for speculation. She wasn't on Camel at that time. If you know the answer, go ahead and answer.

THE WITNESS: That was the first year after Camel's repositioning was launched, and I believe that it was related to hypo- -- hypothetically believed -- a hypothetical belief that the positioning may have had an improved effect on 18-to-24-year-old smokers.

BY MR. ROWE:

Q. And when you say "the positioning," you mean the repositioning of the image and marketing and

51721 7779

advertising of the camel through the Joe Camel campaign; right?

A. Yes.

Q. It was repositioned to appeal to a younger market?

A. It was repositioned to appeal to an 18-to-24-adult-smoker market.

Q. And Mr. Prasad is expressing a view there with which you agree that that repositioning appears to have worked to increase Camel's share of 18-to-24-year-olds?

A. I believe that's what he was stating. Yes.

Q. Are you aware of any research that would show whether during this same period of time Camel had obtained a larger share of under-18 smokers?

A. I'm not aware that we did any research to evaluate underage smokers.

Q. Are you aware of any research outside of the company to show whether or not Camel in that same time period had increased its share among under-18 smokers?

A. I'm not aware except what was in the media.

Q. In response to what was in the media --

51721 7780

well, what did you see in the media?

A. I don't remember specifically, but there may have been some newspaper -- I don't -- I don't recall specifically.

Q. Do you recall --

A. But we have never, that I'm aware of -- at R. J. Reynolds, I was never aware that we had ever tracked underage smoking.

Q. You were aware that in the media it was reported that there were studies that showed that Joe Camel had resulted in an increase in underage smoking?

A. Yes. I'm not sure if it occurred at the time of that memo or if it's been since then.

Q. But sometime after --

A. At sometime.

Q. After the inception of the campaign?

A. Yes.

Q. And are you aware of any research undertaken at RJR or commissioned by RJR to study the question of whether or not the Joe Camel ad campaign was increasing Camel's share among underage smokers?

A. No. I'm not aware of any research that R. J. Reynolds has done with underage smokers.

Q. Did you have any discussion at RJR that

51721 7781

it might be a good idea or a bad idea to research the question in order to answer the criticisms --

A. No.

Q. -- in the media?

A. I've never heard, read, seen, had suggested to me, implied in any way that Reynolds should look into underage smoking.

Q. I'm going to show you a document marked Deposition Exhibit 161. It's a little different than the last couple we looked at. It's titled "Camel 18 to 34 Flash Report-March 1992," and it's dated April 8, 1991. I would like to ask you -- you're shown as a recipient of this from Scott Carey. I'm going to ask you what the format is and whether those dates are correct and --

A. Okay.

Q. -- how this works.

A. (Reviewing document)

I believe this is an incorrect date at the top. Apparently, it should be April 8, 1992.

Q. And do you recall receiving documents of that nature?

A. Yes.

Q. What is the difference between that type of report and the report we looked at that was titled

51721 7782

"Younger Adult Smoker Monthly Summary Report," such as Deposition Exhibit 160?

A. Was that the others that I've -- from John Hribar and --

Q. Right.

A. Okay.

MS. BIXENSTINE: That was actually from Krishna Prasad.

THE WITNESS: Right. Well, the -- it's similar in respect that the data is obtained from a tracker boost to ensure that we have the readable sample of these smokers to look at. And it is comparing monthly -- aggregated monthly results. In this case, it appears that we had established a share of full-price smoker goal among 18-to-24-year-old full-price smokers.

BY MR. ROWE:

Q. Tell me about that. You established a goal?

A. It appears so.

Q. How was the goal established?

A. Generally, it would be established based on the trend that we had seen in, say, the prior year, and we would project among that 18-to-24 or 18-to-34 group where the trend might be proceeding,

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and it would be established as a goal that we were trying to reach.

Q. Can you tell from that report what the established goal increase was in share?

A. It is giving us a goal as of the month that we're looking at it, and that goal would be calculated on a monthly basis, so that by the end of the year you would reach your yearly goal.

Q. Right.

A. So this is giving you a March monthly aggregated goal.

Q. And that goal is?

A. It is 9.1 percent of 18-to-24 full-price smokers.

Q. And what was the actual share going into that month? In other words, I'm trying to determine what --

A. Well, it appears that the full year 1991, actually was 8.3 percent.

Q. And so the goal was to be up .8 by March?

A. Well, the yearly actual includes the full 12 months. So while the beginning of the year may have been lower, where you're exiting the end of the year, you would be able to move into a place

51721 7784

where that -- where by the first quarter your goal would presumably be reachable at 9.1 percent.

Q. Can you the tell looking at Deposition Exhibit 161 what the annual goal was for 1991 or 1992, in terms of increasing Camel's share?

MS. BIXENSTINE: Share overall, or for 18 to 34?

BY MR. ROWE:

Q. For 18 to 34.

A. Well, it appears among 18-to-34 full-price smokers that the monthly goal was established at 6 percent through April; 6.1 percent from May through August; and 6.2 percent for September through December.

Q. And is percent there the same as share of smoker?

A. It's -- yes. It's share of full-price smokers. And this is 18 to 34.

Q. And then the 8.3, was that 18 to 24?

A. Yes.

Q. How about with the 18-to-24 group, can you tell what the annual goal was to increase it? How much they were trying to increase it?

A. It would appear that the annual result for '91, it looks like it was 8.3; and by the end of

51721 7785

December, it was expected to be 9.6.

Q. To go from 8.3 to 9.6?

A. For the full year '91, versus the full year '92.

Q. And then can you tell if that goal was achieved?

A. Not from this report.

Q. Would you agree that's an ambitious goal?

A. It's an optimistic goal. Yes.

Q. And who participated in establishing such a goal?

A. The Brand Business Unit, our Sales and Research, and MARC, our supplier, helped us with projections.

Q. Who or whom within the Brand Business Unit would participate?

A. The brand manager. The head of the Camel Business Unit at the time as well.

Q. Who was the brand manager for Camel in 1991?

A. There were three, as I recall: Ned Leary, Diane Burrows, and Charlie Davis. But the one who would have been primarily responsible for that, I believe, would have probably been Ned Leary.

51721 7786

Q. And those brand managers are the brand managers within the marketing and research -- marketing research area; right?
A. No.
Q. No?
A. In the Marketing Department.
Q. In the Marketing Department.
A. The brand managers.
Q. Brand managers. And to whom did the brand manager report?
A. To the vice president.
Q. And who was the vice president for Camel at that time?
A. Ed Blackmer.
Q. In 1991?
A. Yes.
Q. When you said there were three brand managers, Ned Leary, Diane Burrows -- and I didn't catch the third one?
A. Charlie Davis.
Q. Were they all at the same time or did they trade off during 1991?
A. They were all at the same time. They had very distinctly different responsibilities.
Q. What were their responsibilities, Mr.

51721 7787

Leary and Ms. Burrows and Mr. Davis, in 1991?

A. Ned Leary was responsible for Camel Cash and the ongoing base brand Camel. Diane was responsible for product -- product research -- product -- the product. Period. And for line extension, such as Camel Special lights. And Charlie Davis was responsible for the retail effort.

Q. Sales?

A. Yes. Well, not exactly sales. But the marketing relationship with sales, getting the marketing retail programs to the salespeople in order to execute -- have them executed there.

Q. When you said Mr. Leary was responsible for the base brand, what's base brand?

A. Well not the line extension Camel Special Lights, because that's what Diane was responsible for.

Q. Okay. Was she responsible for -- only for the line extensions or did she --

A. The line extension, I believe, for product -- product performance.

Q. Product performance of the base brand as well?

A. I believe so.

Q. Okay.

51721 7788

A. And -- I guess that's all I recall that she was responsible for.

MR. ROWE: Okay. Well, let's take a break since we're about to run out of videotape.

THE WITNESS: Okay.

THE VIDEOGRAPHER: Off the record at 11:03.

(Recess)

THE VIDEOGRAPHER: The time is 11:12. This begins tape two of the deposition of Regena Pasterczyk.

BY MR. ROWE:

Q. Ms. Pasterczyk, I'm going to show you what was previously marked as Deposition Exhibit 6, a document titled "Younger Adult Smokers," and ask you if you've ever seen this before?

A. (Reviewing document)

I vaguely remember this, but I don't remember the specifics or the details.

Q. Who authored it?

A. I'm not sure.

Q. What do you remember it from?

A. I'm not sure what I remember except some general update, I suppose.

Q. Are you able to tell --

A. I don't know.

51721 7789

Q. Are you able to tell whether it was authored by someone internally at RJR?
A. I believe that it probably was. But I don't know by whom.
Q. Are you able to tell from the document what department or what section such a document originated from?
A. It likely came from the Marketing Research Department. It quotes things like Yankelovich data which is an omnibus that a lot of companies subscribe to.
Q. If you were to look at the -- at page 2, which is the second page of the document, there's a number .4. It says the value of F-U-B-Y-A-S -- that's first usual brand young adult smokers --
A. Yes.
Q. -- compounds over time due to extreme brand loyalty and rate per day increases.
Do you understand what is meant by extreme brand loyalty?
A. I'm not sure what they meant or what -- how they defined it or what basis they're using.
Q. When you say "they," you mean the author?
A. The author.

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Q. Have you ever heard within the RJR Marketing Department the term "extreme brand loyalty" applied to FUBYAS?
A. I've heard brand loyalty applied to the cigarette category. I don't know about extreme.
Q. You see up above it No. 2, the statement is made again that young adult smokers are the only source of replacement smokers?
A. Yes. I see that.
Q. And that less than one third of smokers start after the age of 18?
A. I see that.
Q. You mentioned earlier that there was an understanding that you had that brand loyalty among 18-to-24-year-olds is still in formation compared to older groups?
A. I believe that there is more switching of using of occasional use brands among 18 to 24. Yes.
Q. And then at some point people solidify into their usual brand; right?
A. Yes.
MS. BIXENSTINE: Objection.
BY MR. ROWE:
Q. And the document in front of you is

51721 7791

espousing a view that first usual brand young adult smokers drive the growth of Marlboro and Newport; right? That's at number 3.
A. Yes. That's what it says.
Q. RJR is substantially underdeveloped and declining in its share of 18-to-20-year-old smokers?
A. Yes.
Q. This document was from 1988?
A. It appears to be either -- last half '87. I don't know if it was '88 or not. Because they cite information through first half '87.
Q. So it could be from the last half of '87?
A. Yes.
Q. It appears to be a document generated at around the time of the inception of the Joe Camel campaign or slightly before?
A. I believe so.
Q. At that time the author concluded -- the author who worked in the same department as you, concluded that RJR is substantially underdeveloped and declining in the share of 18-to-20-year-old smokers; right?
A. Yes.
Q. And the Joe Camel campaign was designed

51721 7792

to remedy that problem; right?

MS. BIXENSTINE: Objection. Calls for speculation. If you know, answer the question.

THE WITNESS: The Joe Camel campaign was designed to reposition Camel in a meaningful relevant way to adult smokers 18 to 34.

BY MR. ROWE:

Q. And one of the reasons for that repositioning was the perception that obtaining first usual brand young adult smokers was critical to the long-term health of the company; right?

MS. BIXENSTINE: Objection.

THE WITNESS: The -- I believe the understanding or belief is that brands that have an 18 to 34 most smokers skew are -- have a long-term viability in the marketplace.

BY MR. ROWE:

Q. And that is due to the extreme brand loyalty of smokers?

A. It's due to those smokers aging into older age groups as they age. Presumably some or many of them will stay with the brand.

Q. And they will smoke at a higher rate than they do when they're 18 to 24; right?

A. The rate per day for smokers is higher

51721 7793

among older adult smokers.

Q. Thank you.

I show you a document that was previously marked as Deposition Exhibit 28, titled "Younger Adult Smoker Opportunity Purpose." I'll ask you if you've ever seen that before?

MS. BIXENSTINE: John, what exhibit number is that?

MR. ROWE: 28.

THE WITNESS: (Reviewing document)

Do you know the date of this?

BY MR. ROWE:

Q. Internally, it appears to have been written in 1988.

A. I don't -- I don't recall this specific document. No.

Q. Does it appear to be an RJR internally generated document?

A. I would say probably is.

Q. Do you see on the second page of the document there's a reference to marketing programs clearly targeted Camel's 75th and Salem campaign?

A. Yes.

Q. Those campaigns ran in 1988?

A. I don't recall when the Salem campaign

51721 7794

ran or which Salem campaign they were talking about.

Q. Okay.

A. The Camel 75th ran in 1988.

Q. If you use the page numbers on the far right, they're kind of -- well, they're at the top as you're looking at it. They're kind of the large ones.

A. These?

Q. Yeah. I would like you to go to 034088, which is approximately the eighth or tenth page in the document. I think you've got it right there.

A. Oh. These numbers?

Q. No. I'm sorry. I'm wrong.

A. Okay.

Q. Next one. That's it.

And you said you don't know who the author of this document was?

A. No.

Q. But you recognize it as probably being an RJR internal document?

A. Probably.

Q. See the second paragraph says, Benefits of younger adult smokers compound over time as a result of brand loyalty, which is underlined, and the increase in rate per day and smokers age; right?

51721 7795

A. (Witness nodded head affirmatively)
Q. Yes?
A. Yes. I see that.
Q. And you recognize that as a sentiment that you heard expressed in the Marketing Research Department of RJR?
A. I -- I mean clearly it's here in writing, so -- and I do know that the rate per day does increase as smokers age. I'm not sure about the brand loyalty aspect any longer because of the savings brand proliferation and other -- the other brand proliferation over time. There are a lot more brands available now than there used to be. And so I do believe that smokers, and because of pricing issues and so forth, smokers do switch.
Q. This statement is as of 1997?
A. Yes.
Q. But this document written in 1988, the author expressed a view that younger adult smokers are the key to future growth for any company or brand for several reasons, and then listed among those reasons brand loyalty and the increase in rate per day; right?
MS. BIXENSTINE: Objection.
THE WITNESS: That's what the author was

51721 7796

stating. Yes.

BY MR. ROWE:

Q. And that was a view that was held within RJR as of 1988; right?

MS. BIXENSTINE: Objection.

THE WITNESS: I'm not sure.

MS. BIXENSTINE: What do you mean by "held within RJR"? You mean by someone other than the author?

BY MR. ROWE:

Q. No. Not necessarily. But within RJR, there was a perception in 1988, that brand loyalty and the increase in rate per day as smokers age meant that younger adult smokers were the key to future growth?

MS. BIXENSTINE: Objection to the form of the question. I think it calls for speculation. And it's vague. But you can answer it if you understand it. And you know the answer.

THE WITNESS: I don't know the answer. I don't know the answer to that.

BY MR. ROWE:

Q. Did you believe in 1988, that younger adult smokers was the key to future growth for the company?

51721 7797

A. I thought they were an important part of the future growth of the company.

Q. And that was in part because of the brand loyalty that smokers demonstrate?

A. No. It was because of these reports that were presented from the -- that Diane Burrows report from the Strategic Research Group.

Q. Which indicated that brand loyalty was an important factor?

A. Yes.

Q. Thanks.

Let me show you what was previously marked as Deposition Exhibit 150, a document titled "Are Younger Adult Smokers Important"? And I want to be sure I'm giving you the whole exhibit. Give you the binder. I'll ask you if you've ever seen that before?

A. (Reviewing document)

MS. BIXENSTINE: Is this 150 or 158? I couldn't read it very well.

MR. ROWE: 150.

MS. BIXENSTINE: Thank you.

THE WITNESS: I don't remember this specifically. No.

BY MR. ROWE:

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Q. Do you recognize it as -- it's stamped "RJR Confidential." Is that a stamp that's used in the normal course of RJR business?

MS. BIXENSTINE: Objection.

BY MR. ROWE:

Q. Have you seen that stamp on other documents?

A. I have seen the stamp before.

Q. What determines when a document is stamped "RJR Confidential"?

A. I'm not sure. Secretaries put it on there. I think all of our documents are proprietary and many of our reports are issued with "RJR Confidential" at the top of the report because they are proprietary documents for us.

Q. If a document is not stamped "RJR Confidential," does that mean it's not regarded as proprietary?

A. No. It can be an oversight.

Q. In the general course are most of the documents that you were involved with in the Marketing Research area stamped "RJR Confidential"?

A. I believe so.

Q. Do you sometimes stamp them?

A. No.

51721 7799

Q. Did I ask you if you had seen this document before?

A. Yes. I don't recall it.

Q. Do you recognize it as an internal document generated by RJR?

A. It looks like the RJR font back in those '80s days.

Q. Are you able by looking at it to tell me what department authored it or anything about who might have authored it?

A. I don't know.

I don't know.

Q. You don't remember this information being presented?

A. I don't recall it. No.

Q. On the third page of the document, the last line -- well, the last bullet point says, Brand's companies which are underdeveloped among FUBYAS must constantly work hard to attract switchers -- to move these nearly immovable loyal smokers.

Have you ever heard that sentiment expressed within the RJR Marketing Research Department?

A. I don't remember those words in

51721 7800

particular.

Q. You've heard people express the difficulty of getting loyal smokers to switch brands?

A. I think years ago before there was a proliferation of many different brands and many different brand styles that -- with fewer choices that adult smokers who chose a brand may have been more loyal because there were not as many options for them to consider.

Q. And that was the perception in 1988 at RJR?

A. I'm not sure if it was at that point, because I know the savings segment had just begun introduction in -- sometime in the '80s. So things that were written earlier in the '80s, I'm not sure if they would still be applicable later or not. And I don't believe that they are applicable now.

Q. You think there's less brand loyalty now than there was in 1988?

A. I believe there's less brand loyalty over time, yes. That's the early '80s, for sure. I don't know about since 1988. But before 1984, the savings brands were not out there.

Q. Thank you.

I'd like to show you a document that was

51721 7801

previously marked Deposition Exhibit 11, titled "Camel Advertising Development, White Paper."

A. (Reviewing document)

I don't believe I've ever seen this document.

Q. Have you ever seen it -- a white paper? Advertising white paper?

A. Not that I recall.

Q. Do you know why it's called a white paper?

A. Probably because it's pulling a variety of sources of information together. It's not a specific research study that was executed to answer a specific question or evaluate a specific marketing element.

Q. Is there anything in the document that would allow you to tell me what section or what person might have authored it?

MS. BIXENSTINE: Objection. It assumes it came from RJR.

BY MR. ROWE:

Q. Do you know if it even came from RJR?

A. I don't know. I would -- it may have, because it mentions information as far as shipment data and advertising things that are going on which I

would assume would be proprietary to RJR.

Q. And are you able to tell what section or department might have authored that?

A. No. It's not clear.

Q. Have you talked to anyone at RJR about your testimony here today?

A. No.

Q. Does anyone know you're here?

A. Yes.

Q. Did you talk to them about the substance of what you were going to testify?

A. Just that I had to give a deposition.

Q. To whom do you report these days?

A. Pardon me?

Q. To whom do you report at RJR?

A. Doug Webber.

Q. So Mr. Webber knew you were over here?

A. Yes.

Q. Anyone else know that you're here testifying?

A. Some of my colleagues.

MR. ROWE: Can we go off the record?

THE VIDEOGRAPHER: We're off the record at 11:39.

(Recess)

51721 7803

THE VIDEOGRAPHER: On the record at 11:48.

BY MR. ROWE:

Q. Ms. Pasterczyk, I wanted to ask you to take another look at Deposition Exhibit 5, which is a Strategic Research Report authored by Diane Burrows on February 29, 1984, titled "Younger Adult Smokers Strategies and Opportunities." And I believe this was the document you identified earlier as a report you have seen -- that you saw after starting work at RJR; right?

A. Yes.

Q. I want to call your attention to Appendix B.

A. Okay.

Q. See that it's titled "Younger Adults' Importance as Replacement Smokers"?

A. Yes.

Q. And then you see down below that in the middle of the page there's a chart showing the starting age of smokers 12, 13, 14, 15, and so on?

A. Yes.

Q. Now, you had testified earlier that you've not seen any documents at RJR charting underage smoking; right?

A. Yes.

51721 7804

Q. But this document does do that; right?
A. It does.
MR. ROWE: I have no other questions.
THE WITNESS: I guess I should have said I didn't recall.
THE VIDEOGRAPHER: Will there be no further questions?
We're off the record at 11:49.
MS. BIXENSTINE: Let me -- can I make a statement on the record?
THE VIDEOGRAPHER: Yes.
MS. BIXENSTINE: Two things. One, I would ask if either the court reporter or Mr. Rowe could send me the new exhibits that were marked in this deposition from Exhibit 155 through 161.
MR. ROWE: I will do so.
MS. BIXENSTINE: Thank you. And second, the witness will exercise her right to review the transcript and make any necessary corrections and sign it. And I would ask the court reporter to send the original transcript to me and I will forward it to Ms. Pasterczyk.
MR. ROWE: And Ms. Pasterczyk, I'd like to say on the record as a caution to you that you're certainly entitled to make corrections on the

51721 7805

transcript. You should know that if you make corrections, I'm entitled to comment on the corrections. And if you make a change that alters the substance of any of your testimony, I'm entitled to -- if I think it's necessary to recall you for more questioning about the change or -- the change in the testimony.

THE WITNESS: Okay.

MR. ROWE: Okay. Off the record?

THE VIDEOGRAPHER: We're off the record at 11:50.

(TIME NOTED: 11:50 A.M.)

I declare under the penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Executed on ________________, 19___, at ______________________, North Carolina.

____

SIGNATURE OF THE WITNESS

51721 7806

STATE OF NORTH CAROLINA) ss:
COUNTY OF GUILFORD)

I, Patricia Jaeger, Registered Professional Reporter, Notary Public, do hereby certify:

That the foregoing deposition of REGENA PASTERCZYK was taken before me at the time and place therein set forth, at which time the witness was put under oath by me;

That the testimony of the witness and all objections made at the time of the examination were recorded stenographically by me, were thereafter transcribed under my direction and supervision and that the foregoing is a true record of same.

I further certify that I am neither counsel for nor related to any party to said action, nor in anywise interested in the outcome thereof.

IN WITNESS WHEREOF, I have subscribed my name this 1st day of Aug , 1997.

Patricia Jaeger

Patricia Jaeger
Registered Professional Reporter
Notary Public

"OFFICIAL SEAL"
Notary Public, North Carolina
County of Guilford
Patricia Jaeger
My Commission Expires

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I N D E X

VOLUME I

THURSDAY, JULY 17, 1997

PLAINTIFF'S EXHIBITS

REGENA PASTERCZYK

NUMBER	DESCRIPTION	IDENTIFIED
154	Resume of Regena Pasterczyk	15
155	Consumer Research Report dated 5-8-84	
23		
156	January 13, 1993 memo	54
157	RJR Confidential Business Information and Analysis Research Proposal	56
158	September 4, 1991 memo	59
159	Younger Adult Smoker Monthly Summary Report	64
160	Younger Adult Smoker Monthly Summary Report	65
161	Camel 18 to 34 Flash Report	67

ATTORNEY'S NOTES

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Lawyer's Notes

ERRATA SHEET FOR
DEPOSITION OF REGENA PASTERCZYK IN
MANGINI v. R. J. REYNOLDS TOBACCO COMPANY
(July 17, 1997)

Page	Line(s)	Change
10	7	Change "Webber" to "Weber"
25	1	Insert "of" after "share"
26	23	Insert "of replacement smokers" after "group"
29	17	Insert ", not that I recall." after "No"
33	7	Insert "I'm aware that smokers have generally started to smoke by age 24," and delete "Yes."
33	10	Delete "yes," and Insert "I don't recall that less than one-third of smokers start after age 18."
40	2	Insert "such" after "any"
44	14	Change "A-G-E-N-I-X" to "A-G-E-M-I-X"
46	7	Change "occasioned" to "occasional"
48	7	Insert a comma after "mean" and change "brands?" to "a brand project?"
52	11	Change "understanding" to "study"
58	9	Change "less" to "more"
76	13	Change "our Sales and Research" to "ourselves in Marketing Research"
81	18	Change "of" to "or"
83	15	Delete "most" and change "smokers" to "smoker"
93	16	Change "Webber" to "Weber"

Regena Pasterczyk

Regena Pasterczyk

8/27/97

Date

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transcript. You should know that if you make corrections, I'm entitled to comment on the corrections. And if you make a change that alters the substance of any of your testimony, I'm entitled to -- if I think it's necessary to recall you for more questioning about the change or -- the change in the testimony.

THE WITNESS: Okay.

MR. ROWE: Okay. Off the record?

THE VIDEOGRAPHER: We're off the record at 11:50.

(TIME NOTED: 11:50 A.M.)

I declare under the penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Executed on August 27, 1997, at Winston-Salem, North Carolina.

Regina C. Pasteruff

SIGNATURE OF THE WITNESS

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MIRCUSSEY
EXHIBIT NO. 5
M. BANTA 5/28/97

STRATEGIC RESEARCH REPORT

February 29, 1984

TO: Mr. G. H. Long
Mr. M. L. Orlowsky
Mr. H. J. Lees

FROM: Diane S. Burrows

YOUNGER ADULT SMOKERS:

STRATEGIES AND OPPORTUNITIES

COPY LIST

Mr. L. W. Hall, Jr.
Ms. S. A. MacKinnon
Mr. G. W. McKenna
Mr. J. T. Winebrenner
Mr. J. R. Shostak
Mr. E. J. Fackelman
Ms. E. N. Monahan
Mr. J. R. Moore
Dr. J. L. Gemma
Mr. G. Novak
Mr. G. T. Baroody
Mr. D. F. Pearson

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R.J. REYNOLDS TOBACCO COMPANY, WINSTON—SALEM, N.C. 27102

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YOUNGER ADULT SMOKERS:

STRATEGIES AND OPPORTUNITIES

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In every sense, companies with strong younger adult brands hold the high ground, standing above the increasingly difficult and costly battle for switchers. Today, only Philip Morris and Lorillard are growing among younger adult smokers; RJR is losing about a point per year among this group.

SUCCESSFUL YOUNGER ADULT BRAND STRATEGIES OF THE PAST

A review of the five key brands in the last half century -- Pall Mall, WINSTON, Marlboro, Kool, and Newport -- shows that each built considerable strength among younger adult smokers well ahead of its upsurge in market share. Their strategies succeeded almost invisibly, hidden from competitors in the critical but low-volume younger adult smoker market.

The positionings of these brands have all been very different, but there have been important similarities in the strategies they followed. While chance may have played a role in these past successes, the analysis indicates that the key elements can be understood and purposefully leveraged if sufficient time, priority, and resources are invested.

- All of these brands took advantage of changes in the external environment that worked against or were ignored by their predecessor. The external changes included smoking and health during the 1950's, the generation gap in the 1960's, and racial pride in the late 1960's-70's. These factors affected the mix of the younger adult smoker market as well as its mindset.

- All of the brands capitalized on demographic shifts within the younger adult smoker market. Females were gaining importance when Pall Mall and WINSTON took off. Marlboro made its inroads during the 1960's, the only decade when younger adult male smokers surged in importance. The emergence of younger adult Black smokers has been pivotal to Kool and Newport. These brands succeeded by keying on the growth sectors without boxing themselves in, e.g., Marlboro was as well developed among females as males until recent years.

- In every case, the major younger adult brands have been succeeded by a brand which was positioned to be different from its predecessor and better "in-touch" with the younger adult smokers of the time. Me-too strategies have never worked.

- All of these successful brands have stressed positive product messages (as opposed to problem/solution) and have provided milder/smoother product delivery than their predecessor.

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YOUNGER ADULT SMOKERS:

STRATEGIES AND OPPORTUNITIES

MANAGEMENT SUMMARY

PURPOSE

This is intended to assist RJR in optimizing its strategic position with respect to younger adult smokers (18-24) by clarifying their importance versus smokers 25+, identifying strategies which have been most effective against younger adult smokers in the past, and applying this learning to RJR and its current environment.

This summary provides a broad overview of the most critical points and key ideas in the report. However, it was necessary to omit many important points in order to be brief, and readers are encouraged to read the entire document.

THE IMPORTANCE OF YOUNGER ADULT SMOKERS

Younger adult smokers have been the critical factor in the growth and decline of every major brand and company over the last 50 years. They will continue to be just as important to brands/companies in the future for two simple reasons:

- The renewal of the market stems almost entirely from 18-year-old smokers. No more than 5% of smokers start after age 24.
- The brand loyalty of 18-year-old smokers far outweighs any tendency to switch with age.

Thus, the annual influx of 18-year-old smokers provides an effortless momentum to successful "first brands".* Marlboro grows by about .8 share points per year due to 18-year-old smokers alone.

On the other hand, brands/companies which fail to attract their fair share of younger adult smokers face an uphill battle. They must achieve net switching gains every year to merely hold share. By not attracting its fair share of 18-year-old smokers, RJR yielded a .5 point ingoing share advantage to PM in 1983.

Marlboro and Newport, the only true younger adult growth brands in the market, have no need for switching gains. All of their volume growth can be traced to younger adult smokers and the movement of the 18-year-olds which they have previously attracted into older age brackets, where they pay a consumption dividend of up to 30%. A strategy which appealed to older smokers would not pay this dividend.

* i.e., those which appeal to 18-year-old smokers rather than switchers ages 19-24.

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IMPLICATIONS/RECOMMENDATIONS FOR RJR

1. Younger adult smokers are critical to RJR's long term performance and profitability. Therefore, RJR should make a substantial long term commitment of manpower and money dedicated to younger adult smoker programs. An unusually strong commitment from Executive Management will be necessary, since major volume payoffs may lag several years behind the implementation of a successful younger adult smoker strategy.

This time lag can also magnify the penalties for wrong turns in the development and implementation of younger adult smoker programs. To prevent such problems:

- RJR should develop objectives, planning procedures, and marketability criteria for younger adult brands/programs which reflect their unique, long term character. These may differ significantly from the approaches/measures which are appropriate to established brands or to new brands addressing older smokers by, for example, emphasizing consumer-based rather than volume-based action standards.

- RJR should make resources available to develop/improve its capabilities to thoroughly identify and track demographics, values, wants, media effectiveness, and brand performance within sectors of the younger adult smoker population. These tools will be critical to the development and implementation of effective programs addressing younger adult smokers.

- Because of the sensitivity of the younger adult smoker market, brand development/management should encompass all aspects of the marketing mix and maintain a long term, single-minded focus to all elements -- product, advertising, name, packaging, media, promotion, and distribution. Tactics which could negatively affect the integrity of the strategy should be avoided.

2. RJR should seek to better understand and capitalize on the factors/strategies which have succeeded for younger adult brands of the past. Since RJR's processes/tools have been better attuned to switching efforts than to "first brand" strategies, time and learning will clearly be required to fully assess the opportunities available through these avenues.

It should be noted that the new/established brand programs in the 1984 Plan already address the major issues/trends identified below, within the framework of current knowledge/processes. These Plans should continue as a basis for RJR's 1984 marketing efforts, but should be enhanced by a full-time dedication of resources to ensure a solution to the problem.

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- External factors of key interest are social acceptability, which could revolutionize the future market, and pricing, which has been critical in 1983. Both will require careful understanding and execution to reach younger adult smokers.

- The key demographic growth sectors among younger adult smokers are Blacks, Hispanics, and females. In terms of wants, the desire to "move up in the world" is likely to become even more intense, but expressed in more entrepreneurial ways. Based on history, these opportunities could be realized by brands with a balanced younger adult base as well as, perhaps, narrowly targeted ones.

- The key out-of-touch competitor is Marlboro, which now relies more on younger adult identity/belonging generated by its own users, rather than on the "masculinity" of its advertising. Marlboro is too broad (half the younger adult smoker market) to be addressed as a single competitor and should be attacked by a variety of younger-adult-centered rather than competitor-centered strategies. RJR should emphasize innovative points of difference from existing brands in attacking the younger adult smoker market, using head-on/imitative efforts primarily as defensive measures.

  Philip Morris may have recognized Marlboro's vulnerability and be using it as a "feeder brand" for Virginia Slims and Merit. This increases these brands' importance as competitive targets.

  Among RJR established brands, VANTAGE has the best switching performance versus Marlboro and may be able to maintain/enhance that performance.

- Product wants of younger adult smokers, especially mild/smooth/less harsh delivery, should be fully understood, reflected in action standards for RJR's younger adult targeted products, and communicated with positive copy.

YOUNGER ADULT SMOKERS: STRATEGIES AND OPPORTUNITIES

INTRODUCTION

RJR's consistent policy is that smoking is a matter of free, informed, adult choice which the Company does not seek to influence. However, in order to plan our business, we must consider the effects those choices may have on the future of the Industry. Furthermore, if we are to compete effectively, we must recognize the imperative to know and meet the wants of those who are 18 and have already elected to smoke, as well as those of older smokers.

Purpose

This report is intended to provide additional learning on younger adult smokers (aged 18-24) to assist RJR in optimizing its strategic position with respect to this smoker group. While competitive issues, such as Philip Morris' continuing overdevelopment among 18-24 year olds, are a major focus of the analysis, the broader perspective is on the overall business opportunity which may be available to RJR through effective marketing to younger adult adult smokers.

There are five sections:

Section I, "The Importance of Younger Adult Smokers," explores the potential benefits/costs of "first brand"* or switching strategies directed toward younger adult smokers, in comparison to smokers 25+. Key elements include the impact of 18-year-old smokers on the market, the effects of aging on both smoker share and market share, and the degree of potential switching opportunity. These analyses are based on share trends from MDD Tracker, loyalty rates from the 1983 Segment Description Study (SDS), NFO switching, and consumption patterns from Tracker and government studies.

Section II, "Successful 'First Brand' Strategies of the Past," uses never-before-available information from the 1983 SDS to trace the succession of key younger adult brands over the past 50 years. This allows an analysis of the key factors which may have been important to their growth and decline, as a potential framework for RJR's present/future younger adult smoker strategies.

Section III summarizes the "Key Learning" which can be concluded from Sections I and II on the importance of younger adult strength and the means which have successfully achieved that strength in the past.

Section IV gives "Implications and Recommendations for RJR" which were derived by applying this learning to today's younger adult smoker market.

Section V, "Key Trend Detail," amplifies key recommendations from Section IV.

Appendices support the main presentation as referenced in the text.

* "First Brand" strategies appeal to 18-year-old smokers rather than switchers ages 19-24.

SECTION I

THE
IMPORTANCE
OF
YOUNGER
ADULT
SMOKERS

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I. THE IMPORTANCE OF YOUNGER ADULT SMOKERS

Within five years, younger adults (18-24) will drop from 18% to 15% of the total adult population (18+). They will continue to decline in numbers until at least 1995, as the crest of the Baby Bubble pushes farther past age 25.

This shift in the population will cause smokers aged 18-24 to fall from 16% to 14% of all smokers by 1988. Even 13% would not be surprising, since smoking incidence has been declining more rapidly among younger adults than any other age group in recent years (see Appendix A).

Why, then, are younger adult smokers important to RJR?

1. VOLUME

Younger adult smokers are the only source of replacement smokers. Repeated government studies (Appendix B) have shown that:

- Less than one-third of smokers (31%) start after age 18.
- Only 5% of smokers start after age 24.

Thus, today's younger adult smoking behavior will largely determine the trend of Industry volume over the next several decades. If younger adults turn away from smoking, the Industry must decline, just as a population which does not give birth will eventually dwindle. In such an environment, a positive RJR sales trend would require disproportionate share gains and/or steep price increases (which could depress volume).

2. MARKET SHARE -- THE "FIRST BRAND" ADVANTAGE

A. ANNUAL GAINS FROM THE "NEW" MARKET

The 18-year-old smokers in the 1983 market were worth about 1.6 share of total smokers. By capturing half of these 18-year-old smokers, Marlboro gained .8 points of total smokers without needing to attract a single brand switcher. This gain was the equivalent of a successful two-style new brand introduction, with no cannibalization and no development/introductory costs.

Furthermore, entering 18-year-old smokers account for all of Marlboro's strength among total 18-24. Loyalty rates from the 1983 SDS (i.e., the percentage of smokers who smoked Marlboro at age 18 and still do) show that Marlboro loses about 28% of its 18-year-olds by age 20 and another 14% by age 24 -- a total loss of 42% over the six years between ages 18 and 24. Translating this to share points, Marlboro would be expected to lose .3 points of its .8 points of 18-year-olds before they reach age 24. This is, in fact, about the annual total NFO switching loss found for Marlboro in recent years. (See Appendix C.) But, since Marlboro gained .8 by becoming their "first brand" at age 18, it can afford the .3 switching loss and still come out .5 points ahead.

B. THE COMPETITIVE SQUEEZE

This steady influx of 18-year-old smokers causes the pre-existing smoker market to shrink in share value: smokers who were worth 100.0% of the market at the beginning of 1983 were worth only 98.4% by year end. Thus, a brand which had a 10.0% smoker share going into 1983 and did not attract any 18-year-old smokers would drop to 9.8% even if it kept every member of its franchise. This means that any brand/company which is underdeveloped among 18-year-olds must achieve net switching gains just to break even.

As a company, Philip Morris held more than 60% of these 18-year-old smokers in 1983 versus RJR's 15-20%, yielding PM a .5 point in-going SOM advantage 'n 1983 due only to "new" smokers. The power of this advantage can be seen by the fact that RJR's total competitive switching gains have been twice as large as PM's during 1980-83 yet, during the same period, RJR has lost smoker share while PM has made significant gains (See Appendix D). Furthermore, PM's younger adult smoker advantage has been increasing dramatically:

	SHARE OF SMOKERS 18-24					AVERAGE ANNUAL
	1979	1980	1981	1982	1983	CHANGE
RJR	26.1	25.0	24.3	23.5	21.3	- 1.2
PM	44.8	48.8	51.5	54.0	58.4	+ 3.4

Source: MDD Tracker

C. MOMENTUM FROM AGING

Once a brand becomes well-developed among younger adult smokers, aging and brand loyalty will eventually transmit that strength to older age brackets.

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C. MOMENTUM FROM AGING

An analysis of Tracker shares from 1979-83 (see Appendix E) shows that, apart from short term fluctuations:

- Incoming 18-year-old smokers and the movement of its existing franchise into older age brackets can explain all of Marlboro's smoker share gains in the past four years. Among smokers 25+, all of Marlboro's gains are attributable to this aging movement -- switching appears to have had no net long term effect.

  If Marlboro merely holds its share among younger adult smokers in the next five years, it is likely to gain at least 3 points of smoker share due to the aging movement of its present smokers (assuming its switching is no worse than in 1980-83). If Marlboro continues to gain share among younger adult smokers at its present rate, its overall smoker share could easily increase by a total of 5 points, from 19% in 1983 to 24% by 1988.

- Newport's growth can also be entirely explained by its younger adult strength and aging. Over the next five years, Newport is likely to gain .8 points of total smokers without any additional growth among younger adults. If its younger adult gains also continue, it could exceed a 4% total smoker share by 1988, a gain of about 1.5 points over 1983.

These examples demonstrate the momentum younger adult smokers give a brand. Although a competitor could slow this momentum by attracting switchers, the "first brand" would hold the high ground of brand loyalty in such a battle.

D. LONG-TERM DIVIDENDS -- RATE PER DAY

Government and RJR studies spanning several decades have shown that smokers increase their consumption as they age. The chart below shows that smokers 25+ consumed 22% more than smokers 18-24 on average during 1980-82.

	RATE PER DAY (1980-82 AVG.)		
AGE	Cigts.	% Increase Vs. 18-24	Index vs. Total
18-24	26.2		85
25-34	30.6	+ 17%	99
35-49	34.1	+ 30%	110
50+	31.2	+ 19%	101
Total 25+	32.0	+ 22%	103
TOTAL	31.0	+ 18%	100

Source: Incidence/Rate Report, Year 1982.

2. MARKET SHARE -- THE "FIRST BRAND" ADVANTAGE

D. LONG-TERM DIVIDENDS -- RATE PER DAY (Cont.)

Thus, the 18-year-olds who were worth 1.6 points of smoker share in 1983 were worth only 1.4 points of market share, since their consumption was below average (index of 85). However, by ages 35-49 they will be worth 1.8 points of SOM -- a 30% dividend on their original market share value. This consumption increase is the difference between having smokers 35-49 and having smokers who will age to 35-49.

E. EXTENDED BRAND LIFE CYCLE

The combination of brand loyalty, aging, and increasing usage tends to provide "life insurance" for brands which skew, or have skewed, younger adult.

For example, Marlboro relies heavily on 18-year-olds for its share growth. But if, from 1984 on, no 18-year-olds ever smoked Marlboro again, aging could let Marlboro almost hold its market share through 1990. The left side of the table below shows the contribution each age group makes to Marlboro's current smoker share and what that contribution would be in 1990 if Marlboro got no more 18-year-olds and merely moved its franchise smokers to older age brackets. On the right side of the table, the smoker share contributions are translated to market share, by factoring in rate per day differences. The bottom line shows that, even after seven years without 18 year-olds, aging could allow Marlboro's market share to hold within one point of its 1983 level.

	SMOKER SHARE CONTRIBUTION			MARKET SHARE CONTRIBUTION		
	1983 TRACKER		1990 PROJECTION	1983 EST.		1990 PROJECTION
18-24	6.8	<——	0.0	6.6	<——	0.0
25-34	6.5		6.8	6.8		7.2
35-49	3.8		7.9	4.6		9.6
50+	1.8		2.2	2.1		2.5
TOTAL	18.9	<——	16.9	*20.2		19.3

*Jan.-Dec., 1983 MSA.

Thus, even if a brand falls from favor among younger adult smokers, the younger adults it attracted in earlier years and their increasing consumption can carry the brand's market share for years, significantly extending its overall life cycle.

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3. SWITCHING OPPORTUNITY

Younger adults are more likely to switch brands than any other smoker group, i.e., they are a concentrated switching target. Their very high propensity to also switch styles within their brand suggests the latent potential for even higher rates of brand switching.

	PROBABILITY OF SWITCHING IN 6 MO.			
	BRAND FAMILY		STYLE IN BRAND	
	%	INDEX	%	INDEX
18-24	16.6%	$\boxed{126}$	21.5%	$\boxed{178}$
25-34	13.4	102	12.8	106
35-49	12.1	92	10.4	86
50+	13.2	100	11.1	92
TOTAL	13.2	100	12.1	100

Source: NFO, 1981-1983 (first half).

Younger adult brand switchers (who then remain loyal) can also contribute the major portion of their aging benefits, including increased usage, to their second brand. Thus, switching by smokers 18-24 can yield a significant part, but not all, of the share advantages associated with a "first brand". Older switchers confer less, or none, of these benefits.

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THE IMPORTANCE OF YOUNGER ADULT SMOKERS

SUMMARY

Though decreasing in number, younger adult smokers are a key market for RJR because improved RJR performance among younger adult smokers could contribute more to long term profitability and positive share momentum than could be achieved from gains in any other age group.

1. Younger adult smokers are the only source of replacement smokers.

   More than a share point of 18-year-old smokers enter the market every year. These offer a significant growth opportunity and also shrink the share value of smokers already in the market.

2. A "first brand" strategy has significant share advantages.

   - Optimum ability to capitalize on the influx of 18-year-old smokers. This gave PM a .5 point in-going advantage over RJR in 1983.
   - "First brands" compete from the high ground. They do not need switching gains to grow and can afford some switching losses. Brands which rely on older smokers must achieve net switching gains to break even on share.
   - Strength among younger adult smokers will ultimately yield growth in older age brackets. Aging has been contributing all of Marlboro's and Newport's smoker share gains among smokers 25+.
   - Aging of loyal younger adult smokers creates disproportionately large gains in market share, due to their increasing consumption. This does not accrue from gains among older smokers.
   - Younger adult strength, past or present, will tend to extend the lifecycle of a brand.

3. Younger adult smokers offer the most concentrated switching opportunity.

   - Smokers 18-24 are more likely to switch.
   - Switchers aged 18-24 can provide more share advantage from aging/ increasing consumption than switchers 25+.

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SECTION II

SUCCESSFUL

"FIRST BRAND"

STRATEGIES

OF

THE

PAST

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II. SUCCESSFUL "FIRST BRAND" STRATEGIES OF THE PAST

In the 1983 Segment ..scription Study (SDS), smokers of all ages were asked what brand they smoked when they were 18 years old. By using these responses to represent the younger adult market of the past, the rise and fall of key younger adult brands over the last fifty years can be analyzed. By linking these brand trends in time to demographic/social/marketing changes, insights into the factors which affected those brands and might affect a younger adult brand today can be gained.

This section traces every brand which has risen to a 10% or higher share among 18-year-old smokers since the 1930's. There have been only six, but they include the major brands of the last half century -- Pall Mall, WINSTON, Marlboro, Kool, SALEM, and Newport.

BACKGROUND

Although their rise cannot be traced, Lucky Strike, CAMEL, and Chesterfield were the giants of the cigarette market during the 1930's. Smokers who turned 18 in the 1930's seemed to favor Lucky Strike, but no brand skewed younger adult to the degree seen for the brands that would follow.

1930's	AVG. SOM	18-YR-OLD SMOKERS Share	18-YR-OLD SMOKERS BDI
Lucky Strike	22%	32%	146
CAMEL	27	30	111
Chesterfield	27	20	74
All Other	24	18	75

PALL MALL: THE BRAND OF THE 1940'S AND 1950'S.

The key trend for Pall Mall was younger adult female smokers, who were rapidly becoming more likely to smoke at age 18. The SDS showed that females rose in importance from 30% of all 18-year-old smokers in the 1930's to 44% in the 1950's. This gain was large enough to create a 6% increase in the number of younger adult smokers between the 30's and 50's, even though there was a 15% decrease in the size of the younger adult population during that time.

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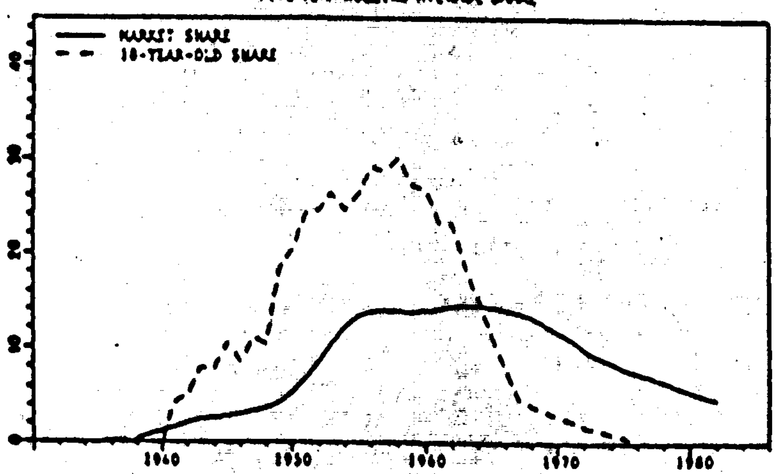
"Extra length" Pall Mall King entered the market in 1937. Initially, it had a prestige positioning, but was soon refocussed to emphasize mildness and "easy" smoking. From the beginning, Pall Mall's development was about twice as high among younger adult females as males. This captured the rising trend of the younger adult smoker market and also made good strategic sense for ATC -- Lucky Strike skewed male and Pall Mall skewed female. Thus, Pall Mall was in tune with the demographics of the times and its company's mix.

1956

During the 1940's, Pall Mall's share grew to 10% among all 18-year-old smokers, to 18% among younger adult female smokers, and was still rising. But since Pall Mall attracted fewer older smokers, its market share was only 3% after a decade (1947). By the 1950's, though, the aging payoff was inevitable: Pall Mall's SOM soared to 15%, with a younger adult smoker share twice that high.

PALL MALL

FIVE YEAR ROLLING AVERAGE SHARE



But, Pall Mall became out of step with its times when the cancer scares of the mid-1950's created the filter boom. Pall Mall might have defended itself with a filter line extension, but it didn't try until 1965, when it had few younger adult smokers left to defend.

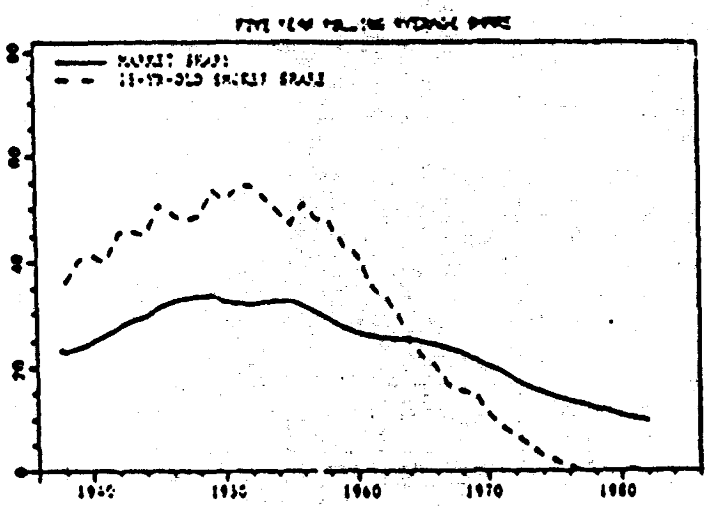
After Pall Mall peaked, its younger adult franchise began to skew male. Younger adult female smokers -- the rising trend Pall Mall had captured -- moved on. But the brand loyalty and aging benefits of the younger adult smokers who remained with Pall Mall bolstered its market share for another 10 years.

	PALL MALL SHARE AMONG 18-YEAR-OLD SMOKERS				
	1940's	1950-54	1955-59	1960-64	1965-74
Males	9%	16%	30%	22	4
Females	18	40	30	13	2
TOTAL	10 ⟶	26 ⟶	30	⟵ 19	⟵ 3

Source: 1983 SDS

ATC's leading position among younger adult smokers, first with Lucky Strike and then Pall Mall, pushed it to #1 in the industry in 1940, when it passed RJR. However, since Pall Mall was ATC's last successful younger adult entry, the brand's downturn signalled the future performance of ATC as a company.

AMERICAN TOBACCO



Key Points About Pall Mall:

- Pall Mall's "extra length" was a product breakthrough in its day -- one that promised extra mildness. It caught on right away with younger adult smokers.
- Pall Mall grew quickly among younger adult smokers because it was in tune with the 1940's, when the major trend in smoking was the rising importance of younger adult female smokers in the market.
- Pall Mall's younger adult strength was a long lead-indicator of its rapid market share growth in the early 1950's.
- Pall Mall's downturn among younger adult smokers was also a lead-indicator of the brand's eventual decline, although its market share held for another decade due to the loyalty and aging of the younger adult smokers it attracted in earlier years.
- Pall Mall became overdeveloped among males only during its decline.
- Since Pall Mall was ATC's last major younger adult brand, its downturn was a leading indicator of ATC's decline.

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WINSTON: THE HIT OF THE 1950'S AND 1960'S.

External influences in the 1950's contributed to the WINSTON opportunity.

1. The rising tide of health concern which peaked with the "cancer scare" of 1954.

   Although "modern" filter cigarettes had been in the U.S. market since 1936, their market importance was almost nil until the early 1950's, when Viceroy sales quadrupled in less than two years. Reynolds, determined not to repeat its experience introducing CAVALIER against an already-too-well-entrenched Pall Mall, rushed WINSTON to market in March, 1954, near the crest of the health scare.

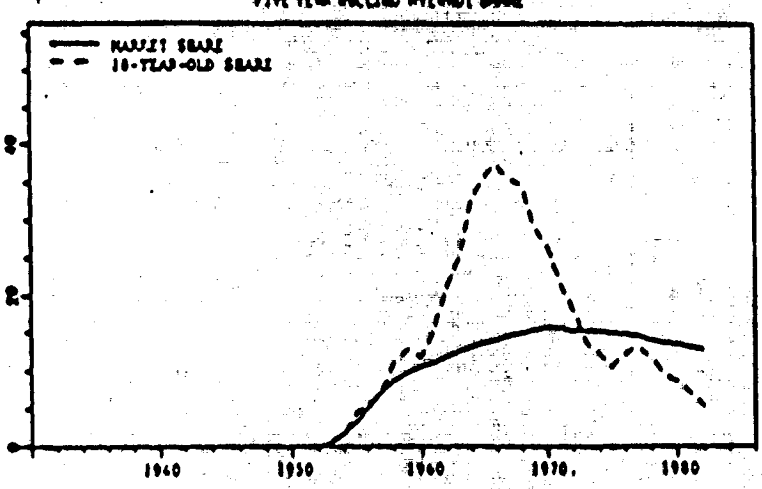
2. The spread of television.

   WINSTON was introduced on TV -- a "fad" that spread from 9% of all households in 1950 to 87% by 1960. Advertising dollars were a key advantage for WINSTON over its filter competitors, and the bulk of those dollars were used to leverage TV.

Younger adult and older smokers alike responded promptly to WINSTON's positive proposition -- "WINSTON Tastes Good" -- its point of difference from other filter brands and the product deficiency non-filter smokers might suspect. WINSTON let Kent and Viceroy sell the benefits of filters and, perhaps, make themselves look like "sissy brands" to younger adult smokers seeking maturity.

By 1958, WINSTON was the Number One filter brand and still showing steady market share gains. In the early 1960's, its share among 18-year-old smokers reached some 30%, twice as high as its market share. WINSTON's effect on SALEM and Marlboro during the early 1960's (as shown later) suggests that this 30% share was large enough to put peer pressure on WINSTON's side and make it a "bandwagon brand" among younger adult smokers.

WINSTON



WINSTON suddenly lost favor with younger adult smokers in the mid-1960's. This was not due to any sudden changes in WINSTON or Marlboro ads or products. The ban on television advertising didn't hit until 1970. However, two major shifts in the 1960's environment may have left WINSTON less in touch with younger adult smokers.

1. The heavy antismoking activity in 1964-69 may have caused problems for WINSTON:

   - WINSTON's positioning and its development were both slightly female, in tune with the younger adult smokers of the 1950's. However, the antismoking publicity in the 1960's had a disproportionate effect on younger adult females, so it changed the demographic mix. Within only a few years, females fell from 44% to 38% of younger adult smokers and, for a decade, the rising trend was male. Thus, WINSTON became out-of-tune demographically with the younger adult smoker market, because external influences had changed the market of the 1960's.

   - The first FTC report, published in 1967, named WINSTON the highest "tar" non-menthol filter in the market -- higher than some non-filter brands and 8 mg. higher than Marlboro. WINSTON's product-centered proposition may have been vulnerable on this front among younger adult smokers looking for mildness.

   - The intense antismoking campaign on TV may have offset WINSTON's effectiveness in this key medium.

2. WINSTON's light-hearted approach may have also become less attuned to the changing younger adult mindset of the 1960's. In the era of Vietnam, campus riots, and the Chicago Seven, it seems likely that Marlboro's intense, unsmiling cowboy was a better fit.

1965

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The 1983 SDS showed that younger adult smokers are most likely to base their brand perceptions on the people they see using the brand -- more than its advertising, package, or name. Thus, it is possible that WINSTON's own profile might have hastened its downturn among younger adult smokers. Whereas Pall Mall started with few older smokers, WINSTON started strong among all ages. Thus, by 1965, half of WINSTON smokers were over 35 and might have contributed to an older, "establishment" image for the brand.

As WINSTON lost its hold on the 18-year-old smoker market of the mid-1960's, its younger adult smokers dispersed to SALEM and Kool as well as to Marlboro. As with Pall Mall, WINSTON's younger adult female smokers moved more quickly, leaving WINSTON overdeveloped among younger adult males for the first time.

WINSTON SHARE AMONG 18-YEAR-OLD SMOKERS

	1956-60		1961-65	1966-70		1971-75		1976-80
Males	12%		31%	27%		16%		11%
Females	14		35	32		9		1
TOTAL	13	——>	32	29	<——	13	<——	5

Source: 1983 SDS

When the TV ban took effect in 1970, the TV antismoking campaign also ended and younger adult female smokers again became the rising trend. But by this time, Marlboro had become the "bandwagon brand".

There was an uptick in WINSTON's share among younger adult female smokers when its Lights 100's were introduced in 1977, well ahead of their Marlboro counterpart. But, overall, WINSTON's line extensions seem to have had no lasting effect on its younger adult smoker trend.

Key Points About WINSTON:

- WINSTON benefitted from the health scares of the 1950's, which created the filter boom. It used a positive position -- "WINSTON Tastes Good" -- to capitalize on a negative environment.
- Favorable timing helped WINSTON. It attacked the filter market before earlier filter brands became entrenched.
- Younger adult smokers were as likely as older ones to be early WINSTON adopters.
- Younger adult strength was a leading indicator of WINSTON's extended market share gains and of its softening.
- Peer pressure --- the "bandwagon effect" -- seems to have worked for WINSTON in the early 1960's, when it had a 30% share of younger adult smokers.
- WINSTON may have lost popularity among younger adult smokers because changes in the external environment made WINSTON less in tune with both the demographics and the mindset of the 1960's than it had been in the 1950's. Its large number of older smokers may have contributed by linking the brand to the "establishment".
- WINSTON did not become overdeveloped among males until after its younger adult smoker share had begun to decline.
- WINSTON's line extensions do not appear to have had any long term effect on its younger adult smoker performance, although WINSTON Lights 100's may have caused a temporary rise until Marlboro responded.

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MARLBORO: THE "BABY BUBBLE" BRAND

The leading edge of the Baby Bubble exploded on society as the younger adults of the 1960's. Over 30 was "out" and the younger set was driving fashions, politics, and the marketplace, sometimes violently. And Marlboro would become their brand.

Marlboro had been quickly repositioned in 1954-55 to catch the filter boom. But, as a second entry in the "taste/flavor" filter market, with no point of difference but its box, it trailed WINSTON among both younger adult and older smokers.

1955-60	Market Share	18-Year-Old Smoker Share
WINSTON	9%	11%
Marlboro	4	3

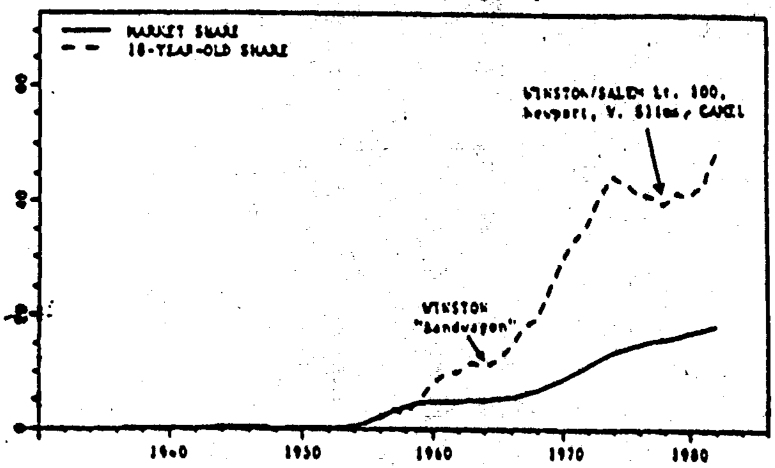
Judging by its copy, Marlboro's masculine positioning was originally directed at the nonfilter market, which had become overdeveloped among males as it declined. It took eight years of experimentation for Marlboro's permanent "cowboy" campaign to fall in place in 1962. Even then, the WINSTON "bandwagon" held Marlboro at bay.

But Marlboro, through happenstance or design, fit better and better as the pressures of the 1960's evolved.

- Marlboro was a milder product than WINSTON, but its emphasis on flavor kept it positioned as a "real cigarette".
- Marlboro was positioned male during the only decade since 1930 when males were the growth sector among younger adult smokers.
- Marlboro's intensity fit the mindset of younger adults in the 1960's.
- Marlboro's positioning was in tune with younger adult smokers' enduring want to express their maturity and independence through smoking. (The Marlboro cowboy is always shown as a mature, even older man.)
- Marlboro acquired younger adult smokers than WINSTON* and, by the late 1960's, this meant the Baby Bubble, the largest cohort of people, and smokers, in history.

* One way to see this is by comparing the percentage of Marlboro versus WINSTON smokers who smoked at age 18. For example, among White male WINSTON smokers who turned 18 in 1955-70, 70% smoked at age 18; for Marlboro, that percentage was 87%. (Source: 1983 SDS)

MARLBORO



Despite Marlboro's masculine positioning, it appears to have been a dual sex brand among younger adult smokers from the beginning. Marlboro skewed male to the same extent the total younger adult smoker market did, but was almost equally developed among younger adult males/females until after 1975.

Marlboro	SHARE AMONG 18-YEAR-OLD SMOKERS		
		Development Index	
	Total	Male	Female
1955-64	8.5%	101	98
1965-74	31.8	104	94
1975-79	40.6	107	94
1979-83	50.3	116	84

Source: 1983 SDS

This balance was advantageous to the brand since the 1960's drop in female importance was only temporary. If Marlboro's masculine positioning had made it a heavily male brand, it would have positioned the brand on a long term declining trend.

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After 1975, Marlboro not only started to skew male, it started to lose its grip on the 18-year-old smoker market:

- Marlboro's 18-year-old smoker share dipped in 1976-77 when both SALEM and WINSTON brought out Lights 100's styles and Marlboro failed to respond until 1978. This may partly account for Marlboro's increasing male skew in the late 1970's and, perhaps, for Marlboro Lights 100's switching gains versus WINSTON and SALEM in the 1980's.

- Newport began to nibble at Marlboro's "first brand" territory. Newport was a brand Marlboro was ill-equipped to compete against, because of its long-standing menthol weakness. This could be a reason for the strong emphasis on Marlboro Menthol in late 1982.

- CAMEL and Virginia Slims each took a bite.

These inroads on Marlboro's younger adult smoker stronghold in the late 1970's barely showed in the brand's market share because aging momentum from the 1950's and 1960's covered its tracks. But these may have been signals that Marlboro's masculine imagery was becoming less in-sync with younger adult smokers over time.

- Males were not the growth sector of the younger adult smoker market in the 1970's. Females were, rebounding from 38% importance in the 1960's to 49% of all 18-year-old smokers by the end of the 1970's.

	% IMPORTANCE AMONG 18-YEAR-OLD SMOKERS						
	1950's		1960's		1970's	1980-83
Males	55	⟶	62	⟵	53	51
Females	44	⟵	38	⟶	47	49

Source: 1983 SDS

- In the 1983 SDS, younger adult males clearly still cared about being seen as masculine -- they don't want feminine imagery! Marlboro's 18-24 smokers also want masculinity, because the majority of the brand's smokers are male. But, <u>Marlboro's younger adult male smokers do not stress masculinity any more than other younger adult males.</u> In fact, younger adult males who smoke other brands are somewhat more likely to want the rugged, traditional masculinity.

Thus, the evidence of share trend, demographics, and wants tends to suggest that Marlboro's positioning may have become less in tune with the younger adult smoker market during the late 1970's and 1980's.

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Once Pall Mall and WINSTON had turned down among younger adult smokers, there was no return. How, then, has Marlboro managed to hold, even recoup, among 18-year-old smokers in the 1980's?

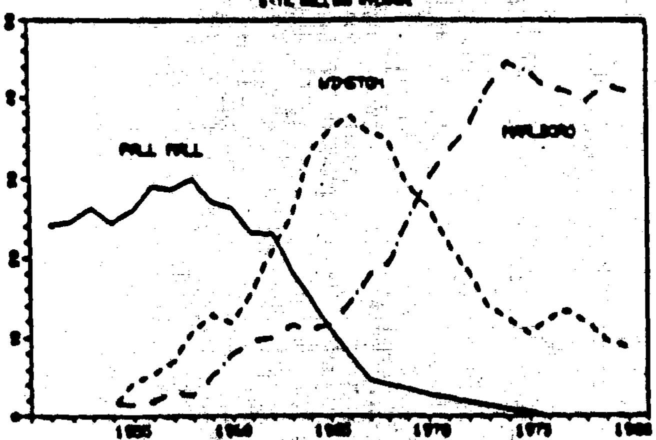
1. In the 1983 SDS, younger adult smokers were much more likely than other smokers to base their brand perceptions on the people they see using the brand. But, among all brands, younger adults were most likely to base their Marlboro perceptions on brand users. (See Appendix F). Since, in 1983, 70% of Marlboro users were under 35 and fully 36% were under 25 (BDI = 218), Marlboro's very size among younger adult smokers may give it an effective positioning that has little to do with the positioning of its advertising. Marlboro's younger adult smokers can be their own campaign, automatically in tune with the times.

2. The SDS showed that Marlboro's key imagery was not masculinity, it was younger adult identity/belonging -- the brand for average younger adults, popular and acceptable among younger adult friends, not "too different". This makes sense as the imagery Marlboro's users would convey, apart from the brand's advertising, pack, or name.

3. Marlboro is clearly seen as a quality product, even by younger adult smokers who prefer other brands. Marlboro smokers want to "buy the best" and they think that Marlboro is the best. This may reflect specific product performance, since in-market test results over the last decade indicate that Marlboro King's smoother, less harsh delivery has been consistently preferred over the stronger WINSTON King. This was still the case among younger adult smokers in 1983 testing. (See Appendix G.)

4. Marlboro has the "bandwagon effect" still going for it. In fact, the trend over the decades has been for younger adult smokers to increasingly cluster behind one big "first brand", a trend that parallels the increasing pressures against smoking during these times. This could mean that as social pressures tend to isolate younger adult smokers from their nonsmoking peers, they have an increased need to identify with their smoking peers, to smoke the "belonging" brand.

SHARE AMONG YOUNGER ADULTS*



* 18-Year-Old Smokers, 1983 Segment Description Study

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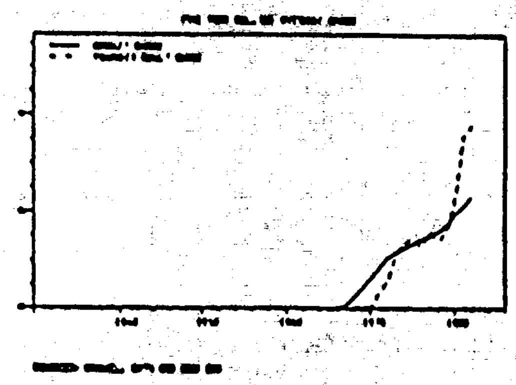
Philip Morris may itself recognize Marlboro's vulnerability. (Certainly the brand's switching losses among 18-24 year olds have been visible in the 1980's, averaging the equivalent of .3 share points of total smokers every year.) While Marlboro could not be repositioned after 20 years of the same campaign, some clues suggest PM may be using other strategies to protect Marlboro's contribution to their younger adult share strength:

- Virginia Slims and Merit have been gaining disproportionate switching from Marlboro among smokers 18-24, allowing Philip Morris to keep 32% of Marlboro's net switching losses from 1980 to 1983 within the corporate fold -- nearly twice PM's fair share. (See Appendix H). This suggests that Marlboro might serve PM as a "feeder brand", capturing 18-year-old smokers who can then be channeled to other PM brands.

- Virginia Slims' performance as an 18-year-old "first brand" has improved markedly in recent years. This may relate to its softer, more casual executions, which are more consistent with the younger adult Marlboro female's desire to not be "too bold".

VIRGINIA SLIMS



- The Merit repositioning seems to draw it closer to Marlboro, perhaps shortening the supply lines.

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Key Points About Marlboro

1960's
- Marlboro succeeded with a "first brand" strategy targeted to the leading edge of the Baby Bubble, who turned 18 in the 1960's.
- Younger adult smokers have been a clear leading indicator of Marlboro's market share growth.
- Marlboro was only a second entry in the taste/flavor filter market until it developed its image-intensive long term campaign/positioning. This took eight years of trial and error.
- Marlboro's final positioning, set in 1962, was in tune with the mindset of the 1960's and also with the demographic shifts among younger adult smokers, since females dipped in importance during that decade.
- Despite Marlboro's masculine positioning, it was almost equally developed among younger adult males and females until after 1975. Overdevelopment among males would have disadvantaged the brand.

1970-
- Marlboro's younger adult smoker share softened in the late 1970's, but it had built enough aging momentum that its SOM trend slowed only slightly.
- Certain evidence suggests that Marlboro's positioning has become less in tune with younger adult smokers than it was in the 1960's.
  - Females, not males, have been the growing sector among younger adult smokers. Marlboro has been losing strength among females.
  - Younger adult Marlboro males' interest in masculine imagery is no stronger than the average younger adult male smoker.
- Marlboro is a "bandwagon brand" today.
  - Marlboro users provide the brand's imagery today more than its advertising does.
  - Marlboro stands for "the average younger adult." Peer popularity is its added benefit.
  - Marlboro smokers believe in its high quality. It is seen as much smoother than WINSTON, but less strong.
- Younger adult smokers' need for "belonging" is strong and may be increasing due to social pressures against smoking. Marlboro provides a means of belonging.
- Marlboro suffers high switching between ages 18-24, but Philip Morris retains about twice its fair share of those switchers, via Virginia Slims and Merit.

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SALEM/Kool/Newport

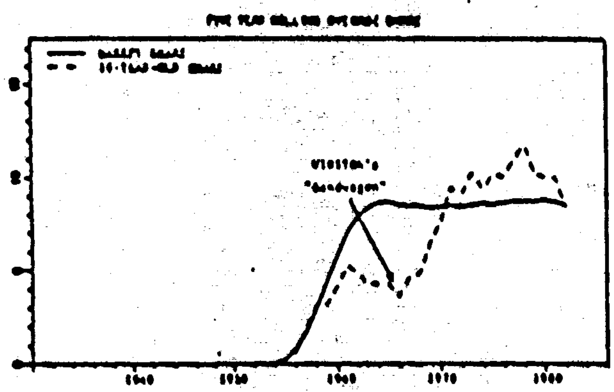
SALEM

SALEM's product breakthrough was "light menthol". Kool nonfilter had been in market since 1931, but it was advertised more like a cold remedy than a cigarette and, apparently, tasted like it. When SALEM lowered the menthol and added a filter, it cut an 8% niche in the market.

At first, younger adult smokers adopted SALEM as readily as older ones but, in the early 1960's, its 18-year-old smoker share went flat. It appears that this had more to do with WINSTON than either SALEM or Kool -- the WINSTON "bandwagon effect" was drawing 18-year-old smokers like a magnet. When WINSTON let go in the late 1960's, SALEM could again attract its fair share of younger adult smokers.

Although SALEM became stronger among younger adult smokers of the 1970's, it has never become a true "first brand". A fair share of younger adult smokers, though, is enough to keep market share steady for a long time.

SALEM



Kool

The key trend for Kool was the emerging importance of younger adult Black smokers in the market. In the health-concerned 1960's, younger adult Blacks didn't back off from smoking to the extent that Whites did. Because of this, their importance surged from 6% of 18-year-old smokers in the 1950's to 10% in the 1960's.

Younger adult Blacks of the 1930's to 1950's had basically gone with whatever brand was big among younger adult White smokers (See Appendix I). In the 1960's, they began to coalesce behind Kool, which only had a 2% share among younger adult Whites. It was time for Blacks to build their own brand in the 1960's, the heyday of Martin Luther King and "Black pride".

Kool apparently capitalized on this aspect of the 1960's by simply advertising to Blacks before its competitors did. Kool ads were in Ebony consistently from at least 1962, when our records start. This was easy for Kool, since its early-60's penguin campaign fit either race, and it was effective. Kool became "cool" and, by the early 1970's, had a 56% share among younger adult Blacks -- it was the Black Marlboro.

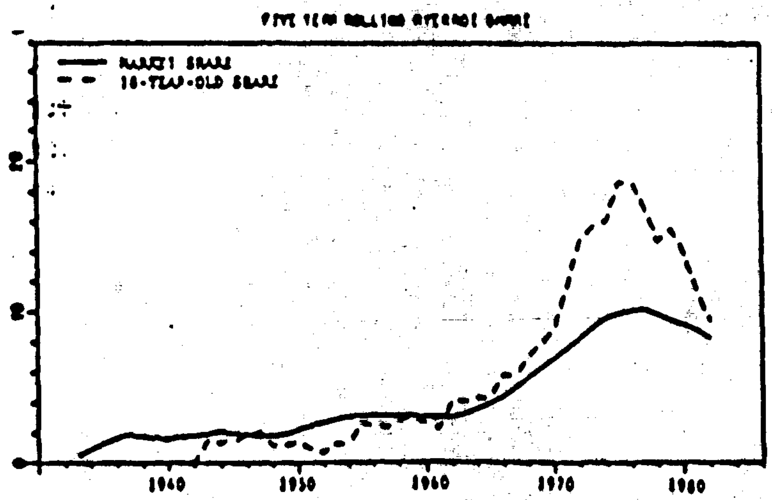
KOOL SHARE AMONG 18-YEAR-OLD SMOKERS

	1950's	1960-64	1965-69	1970-74	1975-79	1979-83
Black	10%	12%	17%	$\boxed{56\%}$	44%	34%
White	1	2	4	11	11	5
TOTAL	2	3	6	14	15	8

Source: 1983 SDS

Like Marlboro, Kool capitalized on the shifts in the 1960's market. And, by the 1970's, it was falling out of step with the trends of the times -- younger adult Whites were returning to smoking, leaving Kool with a 500 BDI in a sector whose importance was no longer booming. Kool was in a bind in the Black market, too, with SALEM suddenly spending about as much as Kool against Blacks. (See Appendix J). Kool also splintered its positioning in the 1970's, advertising each line extension with its own thrust -- Kool 100 was "Lady Be Cool", Kool Milds was dual sex, upscale, etc. Kool was vulnerable and Newport capitalized on that vulnerability.

KOOL



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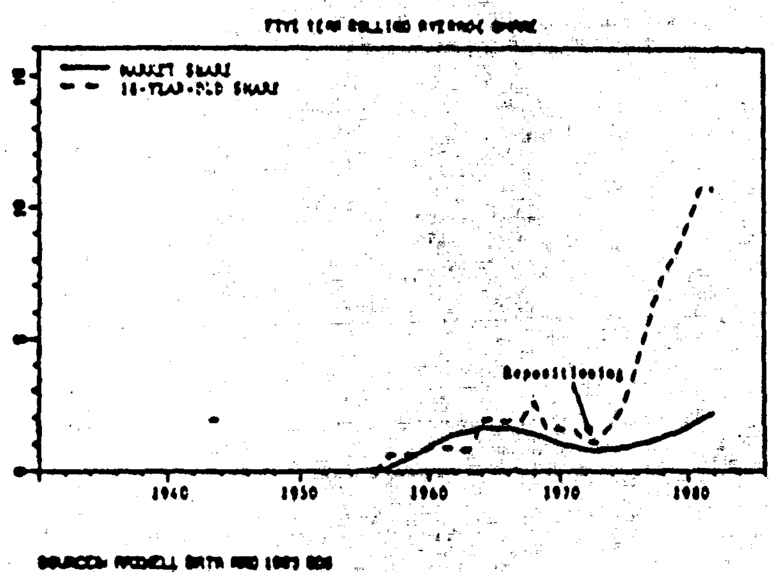
Newport

Newport was completely redone between 1970-73 -- campaign, product, package. When the "new" Newport went to market in 1973, it went only against the northeastern U.S., which had been a focal point of Black population growth throughout the sixties as Blacks left the south.

Newport was the first menthol to emphasize imagery but, on the bottom line, Newport went after Kool with dollars. Newport's total ad spending in the mid-1970's was only about 30% of Kool's, but it was concentrated in some 20% of the U.S. Half of Newport's budget was in out-of-home. By 1978, Newport's regional spending against Blacks equalled Kool's national Black market spending. Newport had picked Kool's prime market, with a size it could afford, and essentially bought it. The results among younger adult smokers, especially younger adult Blacks, were immediate.

NEWPORT



In the 1980's, Newport started rolling out across the South Atlantic, where migration patterns of the 1970's showed Blacks had been returning. Tracker data during this rollout period tend to confirm that Newport gained among younger adult Whites as it gained distribution, but its fundamental growth has been due to younger adult Blacks.

NEWPORT MENTHOL SHARE OF SMOKERS

	1980		1981		1st Half 1982		2nd Half 1982		1st Half 1983
AGES 18-24									
Black	18.6%	——>	22.4%	——>	25.2%	——>	28.9%	——>	36.6%
White	4.4		4.9		5.5		5.0		4.9
TOTAL	6.1	——>	7.0	——>	7.5		7.6	- - >	8.5

Source: MDD Tracker

All of Newport's growth has also been due to its King, which seems better attuned to younger adult product wants than Kool. In 1982, younger adult smokers rated both as acceptable products but found Newport King was significantly smoother, milder and less harsh than Kool King. (See Appendix K.) In qualitative work, Newport King is even described as a "light" (i.e., low "tar") product, despite its 18 mg. level.

The SDS showed that Newport, like Marlboro, relies heavily on its users to provide brand imagery among younger adult smokers (See Appendix F). And, Newport has the youngest franchise of any brand in the market -- 53% were 18-24 in 1983. Thus, it is no surprise that Newport has become the alternate younger adult identity brand, for those who don't want to just follow the crowd. For Blacks, it's today's alternative to Kool; for Whites, it's an alternative to Marlboro.

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RJM 062913

Key Points About SALEM/Kool/Newport

SALEM

- In its early years, SALEM's appeal to younger adult smokers was overshadowed by WINSTON.
- SALEM gained among younger adult smokers of the 1970's, especially Blacks, by spending more effectively against Kool, but never has become a true "first brand".

Kool

- Kool's growth, much like Marlboro's, hinged on demographic shifts caused by the antismoking 1960's.
- Kool was in tune with the rising importance of younger adult Blacks in the 1960's. The mindset of "Black identity" made it time for Blacks to adopt their own brands, rather than follow the general market.
- Kool gained "Black identity" by advertising to Blacks before its competitors.
- When younger adult Whites returned to the market of the 1970's, Kool was suddenly too Black to fit the younger adult market and became vulnerable. Kool also splintered its heritage, positioning itself by style.

Newport

- Newport, when it was repositioned, essentially bought Kool's prime North Atlantic market by intense spending in out-of-home and against Blacks.
- It appears that Newport has gained younger adult White smokers by gaining distribution but its fundamental growth is among Blacks.
- Younger adult smokers rate Newport as milder/smoother than Kool.
- Newport users are the main source of Newport perceptions. It is seen as the alternative younger adult brand -- for Blacks an alternative to Kool, for Whites an alternative to Marlboro. It's for those who don't want to follow the crowd.

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SECTION III

KEY

LEARNING

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III. KEY LEARNING: SUMMARY & CONCLUSIONS

The previous two sections have discussed the importance of a strong position in the younger adult smoker market and the strategies/circumstances which have, in the past, allowed brands/companies to achieve growth among younger adult smokers. By integrating the key points from these sections, several conclusions can be reached.

I. THE IMPORTANCE OF YOUNGER ADULT SMOKERS

- Strong performance among younger adult smokers is critical to generating sustained growth momentum for brands/companies.
  - "New" 18-year-old smokers represent about 1.4 share points of incremental volume each year.
  - A younger adult smoker who has been gained and retained appreciates in value over time because of increased consumption. Older smokers do not.

- The biggest cigarette brands of the last half century have derived their strength from high younger adult development -- Pall Mall, WINSTON, Marlboro, and Kool. Newport may become another such brand, but its size is currently limited by distribution and lack of a broad geographical marketing effort.

  In each case,

  - Younger adult gains have been a long term leading indicator of the brand's market share gains. Typically, major market share growth has lagged the brand's younger adult smoker growth by at least five years.
  - Continuing loss of younger adult strength has also been a leading indicator of market share softness and decline, although aging may bolster the brand's SOM for a decade or more.
  - These brands have been the flagship brands driving their companies' performance and each has been superceded by a brand from another company. Thus, younger adult growth performance has been a leading indicator of long term corporate performance.

  At present, Philip Morris and Lorillard are the only companies showing steady younger adult performance gains.

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- Major performance gains among younger adult smokers do not necessarily have a major effect on short term total market share. This means that competition may be slow to notice an improvement of RJR performance among younger adult smokers and, therefore, may be slow to react.

  - A "first brand" strategy (which necessarily targets younger adult smokers) provides an opportunity for unique long term benefits. However, it is likely that at least two to three years of close tracking would be required to determine the degree of success of a "first brand" effort.

  - Younger adult smokers provide the most concentrated switching opportunity in the market. While a switching strategy is inherently less cost effective, it may be more feasible in the short term and may also produce more short term share results. Some switching appeal will be necessary to build enough early share for a "first brand" to hold the shelf.

- Younger adult smokers have been as likely or more likely than older smokers to be early adopters of brands which have ultimately succeeded as "first brands" over the last 50 years. Younger adults have not flocked to brands which were already large in the total market, possibly because the existing older franchise inhibits younger adult identification with the brand.

- Patterns observed for WINSTON suggest that a "bandwagon effect" may accrue to a "first brand" which achieves an 18-year-old share near the 30% level. When WINSTON's share reached this level, younger adult smoker growth was curtailed on both SALEM and Marlboro, until WINSTON's share again fell below that level.

II. SUCCESSFUL YOUNGER ADULT BRAND STRATEGIES OF THE PAST

The successful younger adult brands of the past have used strategies with many similar themes. In nearly every case, these brands have capitalized on the following types of opportunities, which will be discussed in more detail.

A. External Factors
B. Growth Sectors Within Younger Adult Smokers
C. Out-of-Touch Competitors
D. Product Delivery/Communication

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A. External Factors

- Past periods of intense publicity on the health issue appear to have played a key role in the succession of the major younger adult "first brands."

  - WINSTON capitalized on the filter boom, which gained momentum from the "health scare" environment of the early 1950's.

  - Marlboro capitalized on the changing mix of males/females in the 1960's, which arose from their different reactions to the intense health publicity of that time.

  - Kool capitalized on the similar shift between Blacks/Whites in the 1960's.

- Based on the WINSTON experience, product "breakthroughs" which address external factors are more likely to produce short term share results than those based primarily on imagery wants of younger adult smokers.

B. Growth Sectors Within Younger Adult Smokers

- Successful "first brands" have capitalized on subtle demographic shifts within the younger adult smoker market. Their "formula for success" appears to have been to target the FUTURE profile of younger adult smokers, i.e., to be better developed among sex/race/geographic groups which are gaining importance, but only to the extent that reflects the group's rate of growth. This "formula" will usually imply broad based, nearly balanced appeal rather than overemphasis on male/female, Black/White, or other factors.

  - Pall Mall was strongly developed among younger adult female smokers while their importance was increasing most rapidly.

  - WINSTON was introduced when younger adult female importance was modestly increasing and was slightly better developed among females, but essentially a balanced brand.

  - Marlboro was slightly better developed among males during the 1960's, when female importance dipped, but was essentially a balanced brand until after 1975.

  - Kool was highly developed among Blacks and grew when their importance among younger adult smokers surged in the 1960's.

  - Newport targeted Blacks in the northeastern U.S., where the Black population was growing most rapidly in the 1970's, and has moved to the south, following the return migration.

B. Growth Sectors Within Younger Adult Smokers (Cont.)

- The dominant trend in the younger adult smoker market over the last 50 years has been the rising importance of females. Because of this, the major "first brands" have been overdeveloped among males only during their periods of decline. Marlboro has become overdeveloped among younger adult males only after 1975, when its share was softening among younger adult female smokers.

- One key to Marlboro's success in capturing the Baby Bubble appears to be that it attracted more 18-year-old smokers than WINSTON, within the younger adult smoker market. That is, it was clearly a "first brand", with relatively lower switching appeal.

C. Out-Of-Touch Competitors

In every case, the major younger adult brands have been succeeded by a competitor's brand positioned to be significantly different from the predecessor. The softening/decline of the major younger adult brands seems linked to an inability to "stay in tune with the times" as well as a new competitor "started in tune with the times" at its i.troduction/repositioning. While the real criteria for being "in tune" are probably the mesh between imagery and/or product and the wants of younger adult smokers of the times, demographics are a useful tool for identifying the likelihood of that mesh.

- Pall Mall became out of touch with younger adult smokers' product wants when it failed to effectively react to the filter boom of the 1950's. WINSTON fit those wants.

- WINSTON was the victim of subtle shifts which may have been transparent or seemed transitory at the time.

  - WINSTON's light-hearted campaign fit well with the mindset of the 1950's, but did not fit as well with the rising tide of intense younger adult rebels as Marlboro did in the 1960's.

  - WINSTON's campaign had a slightly female slant and so did its franchise. In the 1960's, younger adult females were losing importance and males were gaining -- a better fit for Marlboro.

  - WINSTON's popularity among older smokers may have made it difficult to maintain an exclusively younger adult identity during the 1960's, when that want was most extreme.

- Kool found itself "too Black" in the 1970's as younger adult Whites were rapidly regaining market importance.

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C. Out-Of-Touch Competitors (Cont.)

- Marlboro's advertising/positioning seems to have become less in touch with the demographic trends within younger adult smokers of the late 1970's and 1980's and, perhaps, their mindset.

    - Younger adult female smokers were the key growth sector in the 1970's and 1980's.

    - Today, Marlboro's younger adult male smokers do not have an above average interest in masculine imagery versus all younger adult males.

    - Philip Morris may have recognized Marlboro as vulnerable. Marlboro's disproportionate switching losses to Virginia Slims and Merit tend to feed Marlboro's losses back to PM. The campaign modifications on these brands may shorten the lines of supply.

D. Product Delivery/Communication

- Throughout the succession of "first brands", younger adult smokers have moved to "milder" products.

    - Pall Mall promised "mildness" based on its length.

    - WINSTON, as a filter product, would be seen as milder than nonfilters.

    - In the 1960's, Marlboro was "milder", i.e., significantly lower in tar, than WINSTON, as was advertised by the FTC. Today, Marlboro is still rated milder/smoother than WINSTON by younger adult smokers and is preferred.

    - Kool and SALEM could be seen as milder because of their menthol.

    - Newport is perceived as milder/smoother than Kool.

- Successful "first brands" have used positive product messages.

    - Pall Mall emphasized milder smoking "pleasure".

    - WINSTON "Tastes Good" despite its filter.

    - Marlboro is "where the flavor is", although historically and presently smoother than WINSTON.

    - Newport speaks to smoking "pleasure".

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- By omission, no brand whose product messages remind the consumer of product negatives or portray the brand as a "weak cigarette" has succeeded as a younger adult <u>first brand</u>. For example, any brand which has specifically emphasized "low tar" (which implies remaining tar) has been limited to switching gains among maturing smokers.

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SECTION IV

IMPLICATIONS AND RECOMMENDATIONS FOR RJR

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IV. IMPLICATIONS/RECOMMENDATIONS FOR RJR

1. Younger adult smokers are critical to RJR's long term performance and profitability. Therefore, RJR should make a substantial long term commitment of manpower and money dedicated to younger adult smoker programs. An unusually strong commitment from Executive Management will be necessary, since major volume payoffs may lag several years behind the implementation of a successful younger adult smoker strategy.

This time lag can also magnify the penalties for wrong turns in the development and implementation of younger adult smoker programs. To prevent such problems:

- RJR should develop objectives, planning procedures, and marketability criteria for younger adult brands/programs which reflect their unique, long term character. These may differ significantly from the approaches/measures which are appropriate to established brands or to new brands addressing older smokers.
    - Thoroughness should be emphasized.
    - Innovation, experimentation, and multiple approaches should be encouraged.
    - Rigorous, objective consumer-based action standards should be established to ensure that volume results will ultimately follow and that continuing Management commitment is warranted.
- RJR should make resources available to develop/improve its capabilities to thoroughly identify and track demographics, values/wants, media effectiveness, and brand performance within sectors of the younger adult smoker population. These tools will be critical to the development and implementation of effective programs among younger adult smokers.
- Because of the sensitivity of the younger adult smoker market, brand development/management should encompass all aspects of the marketing mix and maintain a long term, single-minded focus to all elements -- product, advertising, name, packaging, media, promotion, and distribution. Tactics which could negatively affect the integrity of the strategy should be avoided.

2. RJR should seek to better understand and capitalize on the market conditions/approaches which have successfully created younger adult strength for brands/companies in the past:

   A. External Factors
   B. Growth Sectors Among Younger Adult Smokers
   C. Out-Of-Touch Competitors
   D. Product Delivery/Communication

Since RJR's processes/tools have been better attuned to switching efforts than to "first brand" strategies, time and learning will clearly be required to fully assess the opportunities available through these avenues. It should be noted that the new/established brand programs in the 1984 Plan already address the major issues/trends identified below, within the framework of current knowledge/processes. These Plans should continue as a basis for RJR's 1984 marketing efforts, but should be enhanced by a full-time dedication of resources to ensure a solution to the problem.

A. External Factors (Detail in Section V)

- SOCIAL ACCEPTABILITY

  A breakthrough product which effectively addresses social acceptability concerns could revolutionize the market as WINSTON did in the health-concerned 1950's. The ultimate size of this opportunity will depend on younger adult smoker acceptance. Thus, RJR should consider:

  - The need to develop a social acceptability product whose smoking benefits meet younger adult smokers' wants as well as other smokers' wants.

  - Planning a second entry social acceptability brand which could emphasize mainstream younger adult imagery and product positives, thus avoiding the connotations of "social concern" which would likely be associated with the first entry. Thus, RJR could enter its own "Marlboro" to follow the "WINSTON of the 1980's."

- PRICING

  Pricing is a key issue in the industry. Some evidence suggests that younger adult smokers are interested in price, but unlikely to adopt a brand whose only "hook" is price. To maximize the possible pricing opportunity among younger adult smokers, several alternatives should be considered:

- A price/value brand would need a conspicuous second "hook" to reduce possible conflict between younger adults' value wants and imagery wants. The most saleable "hooks" are likely to be based on product quality, since these provide easy-to-explain public reasons for switching. Suitable imagery should also be used.

- Since younger adult smokers with above-average interest in value are concentrated in the Coolness segment, it is possible that younger adult smokers might be responsive to an appropriately positioned value-oriented menthol entry.

- Tactically, extended periods of closely targeted pack promotion (B1G1F, sampling) in selected sites (e.g., convenience stores, military exchanges, special events) could lead to brand loyalty from repeated trial. This should be considered an investment program.

B. Growth Sectors Among Younger Adult Smokers (Detail in Section V.)

- Younger adult Hispanic and Black smokers should be key RJR targets, since they are gaining importance in the younger adult smoker market.

  - Resources/manpower should be made available to increase understanding of the dynamics, wants, and executional sensitivities within these markets.

  - Heavy-up advertising in selected media are likely to be beneficial against younger adult Black smokers, based on Newport/Kool history.

  - Competitive advantage could accrue from these special market programs, since Philip Morris has intensified its Black/Hispanic marketing efforts.

- Females are continuing to gain importance among younger adult smokers and, based on their diversity, should afford a number of potential opportunities.

  - Since the continuing trends to working women and "new masculinity" imply greater commonalities between the sexes, a dual sex brand which appeals to, but is not limited to women may be "in tune with the times."

  - "Style/Dress" remains a pronounced interest among younger adult female smokers, but should be executed to provide a clear point of difference and not be "too bold."

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B. Growth Sectors Among Younger Adult Smokers (Cont.)

- "Moving up in the world" has been identified as a key enduring want among younger adult smokers. This imagery need is likely to grow, since younger adults who follow the Baby Bubble are likely to experience limited opportunities for traditional success.
  - Limited opportunity to "move up" within the establishment may lead younger adults to more entrepreneurial means of success, such as fame via the performing arts. This type of concept meshes with younger adults' key activities/interests, apparently represents an enduring want, and therefore may provide an innovative opportunity to be clearly different from competition.
  - A "status symbol" brand may attract some younger adult smokers, as an affordable compensation for other luxury items, if it can be executed to key on younger adult definitions of "class" and achieve clear difference versus competition.

C. Out-Of-Touch Competitors

- Based on history, RJR should emphasize competitive efforts which are clearly different from the target brands. Head-on or imitative strategies should be pursued as defensive rather than offensive measures. Thus, RJR should target younger adult smokers based on their inherent wants/differences rather than letting competitors define the market.
- Marlboro has become somewhat out-of-touch in that it is too male to fully capitalize on the female growth sector and its masculine imagery is less of a "hook" in the 1980's. However, Marlboro's users themselves provide the brand a strong positioning as an identity/belonging brand. Since Marlboro is not likely to be preemptable on belonging and is not strongly profiting from its "masculinity", other less head-on strategies hold more promise at present.
  - Marlboro smokers are half of the younger adult market and, thus, encompass a diversity of wants. This implies that successful attacks on any key sectors of the younger adult market are likely to hurt Marlboro. Thus, a variety of approaches should be developed to address the spectrum of younger adult smokers rather than limiting creative options by defining the market strictly in terms of Marlboro.

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C. Out-Of-Touch Competitors (Cont.)

- Virginia Slims and Merit should be high priority competitive targets, since they appear to play a key role in defending Philip Morris against Marlboro's traditionally high switching losses.

- VANTAGE may have an opportunity to compete more effectively for younger adult Marlboro switchers, based on its history of switching gains from Marlboro. (Shown in Appendix H).

D. Product Delivery/Communication

- Smooth, mild product delivery seems to have been a key factor in the succession of younger adult brands. Therefore:

  - RJR should ensure that product wants among smokers 18-24 are fully understood and reflected clearly in action standards for products targeting younger adult smokers.

  - RJR should give high priority to eliminating elements of harshness from its younger-adult-targeted products.

- RJR should use copy strategies which emphasize product positives to younger adult smokers. Connotations of "weak", "concerned", or "low tar" should be avoided and elements of mild, smooth, rich, smoking pleasure should be emphasized.

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SECTION V

KEY

TRENDS

DETAIL

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PRICING

Opportunity Analysis

Pricing is a key issue because of the pressures of the FET increse and the ensuing surge in sales of generic/private label brands. The impact of price on younger adult smokers is a complex question, which is likely to require additional learning, over time, to completely resolve.

Studies by the National Bureau of Economic Research (NBER) were used by the government as a rationale for the FET increase. These studies indicated that price had a much stronger effect on smoking by younger adults, particularly males, than on any other age group, because people were less likely to start smoking in an environment of higher cigarette prices. Thus, over an extended period of time, younger adult smokers would tend to become less price sensitive, since those who react most strongly would not become smokers. However, the NBER studies clearly imply that price influences younger adults, so that price/value may offer an opportunity for some share leverage among current younger adult smokers.

Strategic Alternatives

1. In the 1983 SDS, younger adult males were more likely than any other smokers to say they would buy generics for any price differential, large or small. Yet they were least likely of all smokers to report a generic usual brand. The explanation is probably conflicting wants:

   - Younger adult males want to be seen as successful, someone who buys the best regardless of price.
   - They want to make a good impression on others, smoke a brand acceptable to their friends.
   - They have little interest in being seen as "smart shoppers".

   Field reports from the military market confirm this conflict. Generic sales were booming but none of the men were seen smoking them -- because they were putting the generics in Marlboro packs.

   Younger adult females have a more average attitude toward cost-conscious imagery but are also unlikely to adopt generics, perhaps because of conflict with their own "upward striving" wants, such as style/dress.

   Thus, to maximize opportunity among younger adult smokers, a price/value brand will need a second "hook" to its proposition to allow younger adult smokers to switch on the basis of other, more acceptable wants as well as price. While imagery will be desirable, probably necessary, to brand success, the most likely second "hook" is product quality/taste since this is a more easily expressed public reason for adoption. Examples would be "computer technology produces better smoke at lower cost" or "pay for the best product, not the big brand name."

2. Younger adult males in the SDS were more likely than any other smokers to have taken advantage of B1G1F offers. Such pack promotions provide the savings benefit without conflicting imagery but typically yield trial or occasional usage rather than a change in brand loyalty. Carton offers, on the other hand, tend to reach older smokers. But, if RJR could closely target pack price promotions to younger adult smokers over an extended period of time, brand loyalty might be captured. This would be an investment program. Its cost effectiveness would depend on how tightly promotions could be targeted to younger adult smokers via, for example, military exchanges/canteens, selected convenience outlets, etc.

Any other price tactics on established brands could tend to undercut their perceived quality/value.

3. An SDS profile of younger adult smokers who have more interest than their peers in a value brand, but lower confidence in generics, showed high Coolness Segment development. Although, as seen above, price behavior may differ from expressed wants, there may be somewhat higher potential for a menthol entry to appeal to younger adult smokers on the basis of value/price.

Key Points

- Any price/value strategy will need a preemptive second "hook" to make it easy for younger adult smokers to switch for a reason other than price. Product-based "hooks" are easiest for consumers to publicly express.
- Since younger adult Coolness smokers have somewhat above average interest in value, a menthol entry may warrant consideration.
- Tactically, closely targeted, long running B1G1F's may yield some younger adult switching (as opposed to trial).

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RJM 062930

SOCIAL ACCEPTABILITY

Opportunity Analysis

Social pressures against smoking are high and increasing. This negative influence is somewhat similar to the health situation in the early 1950's. Therefore, it is possible that products which effectively address the perceived social negatives of smoking and also provide adequate smoker benefits could revolutionize the future market just as filters revolutionized the market during the 1950's. It is possible that RJR will have an opportunity to repeat the WINSTON success in the 1980's environment.

The long range impact of such products on the industry will ultimately depend on their acceptance among younger adult smokers, just as the filter revolution did. At present, younger adult smokers and nonsmokers are becoming polarized on social acceptability -- younger adult smokers show less concern with the issue than older smokers, while younger adult nonsmokers are somewhat more concerned.

"In general, you are more acceptable to people if you don't smoke."

% AGREE	SMOKERS		NONSMOKERS
18-24	49.5%	→	73.2
25+	55.3		71.1
Total	54.4		71.5

Source: 1983 Smoking Attitudes Study

Given younger adult smokers' keen interest in peer acceptance/approval, it is likely that younger adult smokers would be interested in a brand which effectively addresses social acceptability and also provides the other smoking benefits they want. However, if that brand is positioned as "socially concerned", younger adult smokers may try it as a novelty but are unlikely to adopt it as a regular brand -- younger adults who wish to be seen as "concerned" are more likely to choose to be nonsmokers.

Strategic Alternatives

1. First Entry Brand

If RJR achieves first entry with a social acceptability brand, younger adult smokers are more likely to adopt it if the brand proposition is as positive and mainstream as possible. This was essentially WINSTON's approach to the health concerns in the 1950's. WINSTON let Kent and others sell "safer" filters, while WINSTON let people know it had a filter but emphasized the positive of taste. For example:

- The added product benefit might be "enhances sociability" rather than courtesy (which implies potential disapproval from others).

- The name, package, and post-introductory advertising (once clear awareness of the point of difference was established) could emphasize <u>supportable</u> claims that the brand also provides a full measure of benefits of "old style filters" such as taste, satisfaction, draw, and imagery.

2. <u>Second Entry Brand</u>

The opportunity may be greater for a second entry social acceptability brand to establish mainstream appeal among younger adult smokers, since the first entry must push the product difference. Thus, the first entry might automatically be viewed as "concerned" even if it went mainstream post-introduction, i.e., quickly repositioned itself.

Other advantages of the second entry strategy could be:

- The strategy is equally viable whether RJR or another company hits market first with a social acceptability brand (assuming that product development timetables will be similar between companies).
- RJR could cover the bases by offering both a "concerned" and a younger-adult-oriented entry. If the first product is a satisfactory smoke, it could be used under both positionings.

3. <u>Line Extensions</u>

If social acceptability entries catch on, RJR should be prepared to defend its established brands with appropriate line extensions. Although a mainstream second entry brand could, itself, be a line extension, this would dilute leverage of "the new way to smoke" versus "old style filter cigarettes" and allow competitive brands to more easily respond. The least likely candidates for this type of line extension would be brands committed to "Virility" such as CAMEL and, hopefully, Marlboro.

<u>Key Points</u>

- Products addressing social acceptability could revolutionize the market in the same way filters did in the "health scare" environment of the 1950's.

  The long range outlook for such products will depend on their acceptance by younger adult smokers.

- To be adopted by younger adult smokers, a social acceptability brand should:

  1. Offer adequate smoking satisfaction as well as effective relief from social pressures.
  2. Be positioned positively rather than as "socially concerned", perhaps using essentially the WINSTON strategy of the 1950's.

- A second entry social acceptability brand is more likely to be able to position itself in the younger adult mainstream.

BLACK/HISPANIC YOUNGER ADULT SMOKERS

Opportunity Analysis

Younger adult Black and Hispanic smokers are dramatically increasing in importance and will, conservatively, comprise 20% of the 18-24 market by 1990.

	1965	1976	1980		PROJECTED 1990
BLACK					
% Pop. 18-24	11.2	12.4	13.0		14.8
% Smokers 18-24	12.9	13.4	13.6	⟶	14.5
Index	115	108	105		98
HISPANIC					
% Pop. 18-24	NA	5.7	7.5		9.9
% Smokers 18-24	NA	NA	3.9	⟶	5.1
Index	NA	NA	52		52
BLACK & HISPANIC					
% Pop. 18-24	NA	18.1	20.5		24.7
% Smokers 18-24	NA	NA	17.5	⟶	$\boxed{19.6}$

Sources: Census Bureau; Hispanic Omnibus Study; "Projections of Hispanic Population for the U.S., 1990 & 2000" (Center for Continuing Study of the California Economy); "Health, U.S., 1981".

BLACKS

Since the Kool phenomenon began in the 1960's, younger adult Blacks have moved increasingly to menthol products, which have accounted for 90% of the younger adult Black market in recent years. In 1983, 72% of Blacks 18-24 smoked one of the 3 major Coolness brands, although the segment has been getting some competition from Stylish brands. Virile brands, even Marlboro, have virtually no appeal to Blacks.

	SHARE AMONG BLACK SMOKERS 18-24				
	1980	1981	1982	1983	Avg. Pt. Chg.
Kool	34.6	30.8	27.9	21.8	- 4.3
Newport M	18.6	22.4	27.2	36.4	+ 5.9
SALEM	17.2	19.2	17.3	13.6	- 1.2
Coolness	71.3	72.8	73.0	72.1	+ .3
Menthol	88.7	89.9	91.5	88.9	+ .1

Source: MDD Tracker

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Newport is the growth brand among younger adult Blacks, yet it is not perceived as particularly relevant to their key wants/concerns: "moving up in the world," style/dress, and powerlessness. Effective spending appears to have been key to its success, although product mildness versus Kool may have played a role.

Kool appears to have risen partly from an emerging desire for Black identity, but it is not clear that this want is as pronounced among younger adult Blacks today.

- The SDS showed that younger adult Blacks were less likely than older Blacks to believe "it is important to remember my roots."
- Although Newport is prominently advertised in Black publications and spends about 16% of its brand dollars against Blacks, 59% of its dollars go to OOH which is primarily general market.
- In qualitative work, younger adult Blacks feel limited rapport with today's Black "leaders", e.g., Jesse Jackson.

Thus, Coolness strength among younger adult Blacks may continue to decline in the future in favor of Stylish brands which key on Black wants but also have appeal in the general market.

Hispanics

The Hispanic market is very difficult to address because:

- Mexicans, Cubans, and Puerto Ricans form three distinct segments which differ in wants, lifestyles, even language.
- Many Hispanics insist that advertising be in the Spanish language and that visual executions be perfectly attuned to their lifestyles, self image, and traditions. Hispanics are extremely literal.
- Illegal entry makes even population data difficult to obtain and tools for understanding/tracking the Hispanic market have been quite primitive compared to general market capabilities.

Mexicans are the largest and fastest growing sector of the Hispanic population and also the sector in which RJR's performance is strongest.

Percent of U.S. Hispanic Population

	1980		2000
Mexican	61%	⟶	64%
Puerto Rican	14		12
Cuban	7		5
Other	18		19

Source: Center for Continuing Study of the California Economy.

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Marlboro is the leading brand among Puerto Ricans and Cubans and recently appears to have intensified its efforts against the Mexican sector. In fact, Philip Morris appears to be increasing special market spending behind all of its key brands, with special Hispanic campaigns recently appearing for Marlboro, B&H, and Players. (See Appendix L.)

Key Points

- Blacks/Hispanics will comprise 20% of all younger adult smokers by 1990.
- Younger adult Black smokers appear to be highly responsive to effective advertising spending. They appear somewhat more likely to be attracted to a brand which keys on their interests in "moving up" and style/dress and can achieve reasonable development in the younger adult general market.
- Knowledge of the younger adult Hispanic market is extremely limited, although it is fairly clear that Mexicans are the key sector. Success among younger adult Hispanics is likely to require development of an adequate information base and extreme sensitivity to executional elements.
- Philip Morris has placed much heavier emphasis on ethnic spending in recent years and evolved on-going Hispanic campaigns for Marlboro and Benson & Hedges.

YOUNGER ADULT FEMALE SMOKERS

Opportunity Analysis

Younger adult female smokers h.. been a driving force behind industry growth during the last half century as they have become more likely to smoke at age 18 and, over time, spread in importance within older age brackets.

	% IMPORTANCE AMONG 18-YEAR-OLD SMOKERS		
	1960's	1970's	1980-83
Males	62	53	51
Females	38	47	49

Source: 1983 SDS

Younger adult females are continuing to gain importance among younger adult smokers, due to their stronger incidence trend versus younger adult males. Based on government reports in recent years expressing alarm at increased smoking among teenage girls, younger adult females are likely to continue to slowly gain importance, although external factors such as social acceptability and price may affect the outlook.

	INCIDENCE AMONG YOUNGER ADULTS 18-24				
	TOTAL	MALES		FEMALES	
	%	%	INDEX	%	INDEX
1980	32.7	33.7	103	31.7	97
1981	31.7	31.6	100	31.8	100
1982	29.4	28.8	98	30.1	102
1983	29.0	28.8	99	29.3	101

Source: MDD Tracker

Key differences in wants between younger adult female smokers and other smokers were identified in the 1983 SDS.

KEY WANTS/CONCERNS OF FEMALES 18-24

	VS. TOTAL SMOKERS	VS. TOTAL 18-24
Belonging/Fitting In	+	-
Moving Up in World	+++	No Difference
Powerlessness	++	++
Style/Dress	+++	+++
Savings/Value	++	+++
Health/"Tar"	+	+++
New Male/Female Roles	+++	+++
Social Acceptability	+	+++
Smoking Problems	+	++

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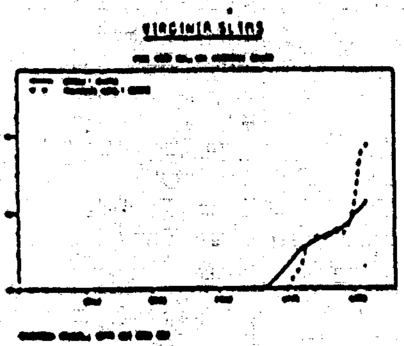
Despite key differences in wants from younger adult males, younger adult females tend to smoke dual sex brands rather than specifically targeted female brands, e.g., 34% smoke Marlboro versus 11% for Virginia Slims.

- Virginia Slims was introduced in 1968 but appears to have gained appeal as a younger adult female "first brand" only in recent years.



This may relate to its gradual campaign evolution from heavy makeup and avant garde fashions to more friendly, casual imagery. This transition may have been speeded by the introduction of SALEM Slim Lights, which outperformed all other competitors in attracting switchers from Virginia Slims.

VIRGINIA SLIMS SWITCHING AMONG FEMALE SMOKERS 18-24

	NET GAINS		NET LOSSES	
	PTS.	%	PTS.	%
SALEM	-	-	-.14	45
Barclay	-	-	-.05	16
CAMEL	-	-	-.02	6
VANTAGE	-	-	-.02	6
B&H	-	-	-.02	6
Generics	-	-	-.02	6
Marlboro	+.26	39	-	-
Merit	+.12	18	-	-
Newport	+.05	8	-	-
Kent	+.05	8	-	-
Parliament	+.05	8	-	-
All Other	+.13	20	-.04	15
	+.66	100%	-.31	100%

Source: NFO, 1980-83 (1st Half) Avg. Per 6 Mo.

Although base sizes are small, there is some indication that Virginia Slims younger adult core females are true Stylish segment smokers who desire to make a bold statement with their brand, whereas Virginia Slims fringe smokers consider the brand to be nearly too bold for their tastes. Its key imagery is, naturally enough, "today's woman".

Virginia Slims weakness may be that it fits not only a particular type of female but a particular stage of life. The prototypical younger adult female Virginia Slims smoker is like its overall franchise -- she is from a family with income over $25M (BDI = 160), has some college education (BDI = 130), is employed as a secretary/clerk (BDI = 160), and is single or newly married. The drop in Virginia Slims development among married/formerly married women suggests that Virginia Slims somehow does not fit the married woman's lifestyle and thus, has limited opportunity as a lifetime brand.

VIRGINIA SLIMS DEVELOPMENT

	TOTAL FEMALES	18-24 FEMALES
Never Married	213	126
Married < 2 Years	182	96
Married 2+ Years	77	77
~~Formerly~~ Married	77	48
Total BDI	100	100
Share	6.0%	10.7%

Sources: 1983 SDS, 1983 Tracker

- Most younger adult females smoke a dual sex brand -- not too masculine (e.g. CAMEL), ~~but~~ not strictly female (Virginia Slims). While specially targeted female brands will undoubtedly play a role in the future market, lifestyle trends suggest that commonalities between younger adult males/females are increasing over time, so that dual sex wants are likely to remain prevalent.

  - Younger adult females are increasingly moving into the workplace, at a more rapid pace than older women.

LABOR FORCE PARTICIPATION (%) AGES 20-24

	1960	1970	1975	1981
Females 20-24	46.1 →	57.7 →	64.1 →	69.6
Index vs. Total Females	122	127	133	134

  - Younger adult females have become as likely as males to attend college.

% COLLEGE ENROLLEES 18-24

	1960	1970	1975	1981
Males	63%	57%	53%	50%
Females	37 →	43 →	47 →	50

- Females are increasingly opting to remain single during their younger adult years and to live alone.

Ages 20-24	% WHO HAVE NEVER MARRIED 1960	1970	1975	1981
Males	53.1	54.7	59.9 ⟶	69.5
Females	28.4 ⟶	35.8 ⟶	40.3 ⟶	51.9

	YOUNGER ADULT FEMALES LIVING ALONE 1960	1970	1975	1981
Number (M)	110	282	501	752

Source: Statistical Abstracts, 1982-83, pages 41 & 44

- Both younger adult males and females are more likly to say they "associate with the new ideas of men/women" than their older counterparts.

These increasing lifestyle commonalities suggest that females will continue to be more attracted to dual sex brands which adequately address their wants than to highly targeted female-only brands.

Key Points

- Younger adult female smokers have greatly increased in importance over the last 20 years and are likely to continue to slowly gain in importance, unless external factors intervene.
- Virginia Slims, or similar female-only brands, are likely to hold a niche in the future younger adult female market, but essentially dual sex brands which are attentive to female wants/concerns are likely to provide the larger opportunity.
- Style/dress remains a pronounced interest among younger adult females, but should be executed to provide a clear point of difference and not be "too bold".

"MOVING UP IN THE WORLD"

"Moving up in the world" is a key want among all groups of younger adult smokers and the one which most distinguishes them from older smokers in the SDS. This is not surprising, given that they are in the process of developing their education and/or career and establishing their independence (which requires dollars).

Dollars may well be the key measure of success to younger adult smokers, since the desire to move up decreases as their incomes increase. Blue collar workers (who are the highest earning younger adults) are less upward striving than average. Education makes no difference.

Younger adult smokers are more likely than older to emphasize the "image" of success. They like to know important people and feel "there's nothing wrong with showing you've made it," regardless of race or sex.

Over the next 10 years, younger adults' desire to "move up" may become more frustrating, since the peak of the Baby Bubble will ride just ahead of them, clogging the traditional avenues of advancement and success. This suggests that they may move to alternate paths as other "powerless" minorities have done in the past.

- Some may compensate by seeking to acquire affordable status symbols, possibly a prestige/class cigarette brand. However, it is not entirely clear that the younger adult definition of "class" will entirely mesh with the status symbols prized by the older establishment, since they seem to prefer designer jeans to couturier originals and flair/ individuality above elegance. B&H, the only established "prestige" brand has attracted some interest among younger adult Blacks/Hispanics but is underdeveloped among younger adult smokers as a whole.

- One option successfully used by entrepreneurial minorities in the past is to seek fame by exercising special talents in the public eye -- women achieved visible success through the stage or screen (or by marriage), Blacks moved up through sports and music, Jews became famous on the comedy circuits, "poor boys" from Liverpool or Mississippi made it with rock and roll.

  The desire to fame, the fantasy of "being discovered", and "star worship" appear to have been common among younger adults for generations in varying forms. Today's younger adults appear to be no exception:

  - In qualitative work, when younger adult smokers are asked to name their heroes, they tend to name performers rather than the sports figures (e.g., Jo Dimaggio) or political leaders (John Kennedy, Martin Luther King) who may have had more attention in the past.

  - The "Newsstand Weeklies" (People, National Enquirer, etc.) which key on performers, are the most-read periodicals among younger adult smokers (See Appendix M).

- The TV series "Fame" appealed to younger adults and is returning via syndication.

Music is probably the most popular mode of performance among younger adult smokers:

- A special cable network, MTV, offers nothing but video renditions of popular younger adult music.
- Younger adult smokers in the SDS were twice as likely to actively participate in musical activities (i.e., actually play or sing) as smokers 25+ were.
- Younger adults tend to associate Marlboro with the occupation of musician. This was mentioned by 21% of smokers 18-24 rating Marlboro versus 14% of all smokers, the most pronounced difference found between older/younger adult responses. This is unusual, since Marlboro's only formal association with music has been some recent special events sponsorship. This suggests that these younger adult male Marlboro users may be characterizing themselves as they are or wish to be.

Although "fame" is a concept rather than an opportunity at present, it would represent an innovative point of difference from any past/present brand and appears to be relevant to younger adult wants/interests.

Key Points

- "Moving up in the world" is a key, enduring want among younger adult smokers and is likely to become of even higher importance as avenues for traditional success are increasingly blocked by the Baby Bubble.
- Younger adults tend to emphasize the image of success rather than "self improvement".
- A "status symbol" brand may attract some younger adult smokers, as an affordable compensation for other luxury items, if it can be executed to key on younger adult definitions of "class" and achieve clear difference versus competition.
- Limited opportunity to "move up" within the establishment may lead younger adults to more entrepreneurial means of success, such as fame via the performing arts, especially music. This meshes with younger adults' key activities/interests and apparently represents an enduring want applicable to both sexes and races. Therefore it may provide an innovative new brand/repositioning opportunity, clearly different from competition.

APPENDICES

RJM 062942

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NUMERICAL IMPORTANCE OF YOUNGER ADULT SMOKERS

Ages 18-24:	1975	1980	1981	1982	1983
% of Total Pop. 18+	18.8%	18.5%	18.3%	17.9%	17.5%
Incidence of Smoking					
Smoker % of 18-24 Pop.	36.0%	32.7%	31.7%	29.4%	29.0% (P)
Index vs. Total 18+	106	99	98	95	94 (P)
% of Smokers 18+	20.0%	18.3%	17.9%	16.9%	16.4% (P)

(P) = Preliminary Tracker Data

Sources: Incidence and Rate Report, Year 1982, MDD Tracker, and Census Bureau population estimates.

Ages 18-24 in 1988:	High Side (1)	Low Side (2)
% of Total Pop. 18+	14.9%	14.9%
Incidence of Smoking:		
Index vs. Total 18+	94	87
% of Smokers 18+	14.0%	13.0%

(1) High Side assumes younger adult incidence follows the same trend as the total population (18+).

(2) Low Side assumes younger adult incidence falls more rapidly than among total smokers, to the average degree seen from 1975 to 1983.

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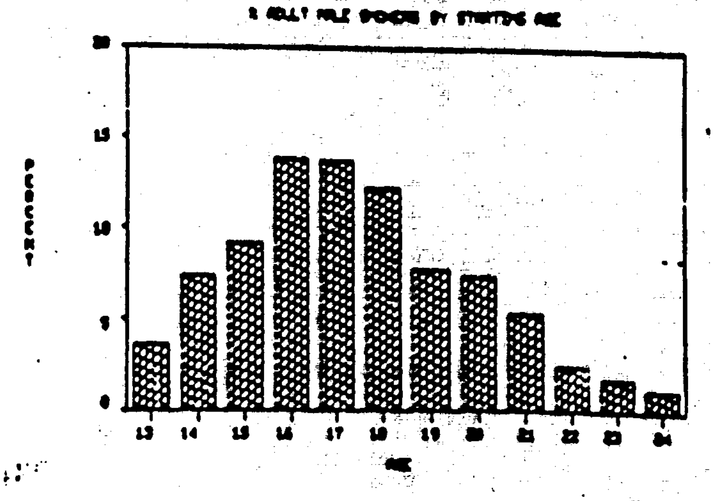
RJM 062943

YOUNGER ADULTS' IMPORTANCE AS REPLACEMENT SMOKERS



- More than two-thirds of male smokers start by age 18. Only 5% start after age 24.

Current Male Smokers By Starting Age

Cumulative %

	Start By Age	Start After Age	
12	9.9%	90.1%	
13	13.4	86.6	
14	20.8	79.2	
15	30.3	69.7	
16	42.9	57.1	
17	53.6	46.4	Median = 16.7 years
18	68.7	31.3	
19-20	84.0	16.0	
21-24	94.6	5.4	
25+	100.0%	---	

Sources: Average of HEW data reported in Adult Use of Tobacco, 1970 and 1975.

- Although women of the early 1900's started to smoke at later ages than men, there has been little difference in recent decades.

Year of Birth	Median Starting Age of Female Smokers
1900-1920	20.0 years
1920's	18.5
1930's	17.7
1940's	17.1

Source: HEW, Changes in Cigarette Smoking Habits, 1955-66.

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RJM 062944

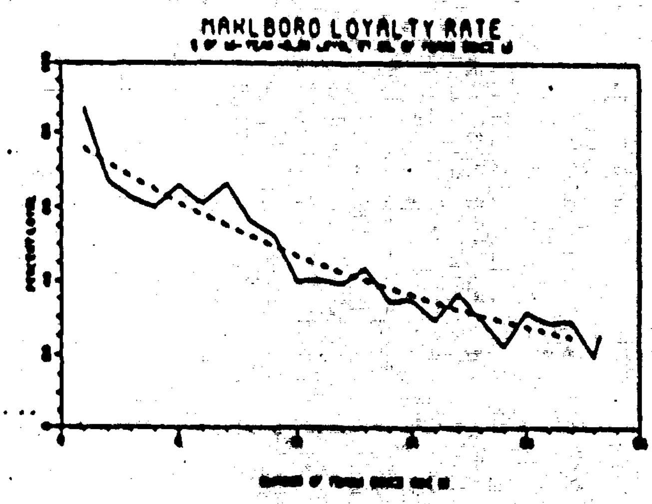
MARLBORO SWITCHING LOSSES -- ACTUAL VS. PREDICTED

- NFO: Avg. 1980 - First Half 1983

Age	Importance Of Age To Total Smokers *	Avg. Annual Gross Switching Loss ** Pts in Age	Wtd Pts Of Total	% Of Total
18-24	17.2%	-1.46	$\boxed{-.25}$	39%
25-34	25.8	-.64	-.17	27
35-49	27.6	-.40	-.11	17
50+	29.4	-.36	-.11	17
TOTAL	100.0%	-.64	-.64	100%

* Source: MDD Incidence/Rate Report, Year 1982; MDD Tracker, 1st Half, 1983.
** NFO gross switching losses within age converted to total and points of total by importance weights above.

- Predicted By SDS Loyalty Rates



Marlboro 18-Year-Olds After --	0 Yrs	1 Yrs	2 Yrs	3 Yrs	4 Yrs	5 Yrs	6 Yrs	Average
% Remaining Loyal	100%	76%	72%	68%	65%	61%	58%	71%

Since 71% remain loyal, 39% must switch over the six years, i.e., an average of 6.5% per year among the average 71% of the original group who remain. 71% x 6.5% = 4.6% average annual switching loss.

Marlboro	Average 1980-83 (1st Half)
Tracker Share Among 18-24	35.3%
Avg. Importance of 18-24	x 17.2%
Value in Points of Total Smokers	6.1%
Average Annual Switching Loss	x -4.6%
	$\boxed{-.28}$ Points

RJM 062945

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APPENDIX D

RJR/PM SWITCHING VS. SMOKER SHARE PERFORMANCE

	POINTS OF TOTAL SMOKERS			
	NET SWITCHING		SHARE	
	RJR	PM	RJR	PM
1980	+ .26	+ .45	33.3	29.2
1981	+ .27	- .25	32.1	31.0
1982	+ .42	+ .24	32.8	32.3
1983 (1st Half)	+1.00E	+ .36E	33.0	34.2
Avg. Change Per 6 Mo.	+ .41 <——	+ .18	- .1 ——>	1.0

Sources: NFO and MDD Tracker

RJM 062946

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EFFECTS OF AGING ON SHARE OF SMOKERS

Method

The charts in this Appendix summarize an analysis of the relative importance of aging* and "other factors" (switching/quitting/starting) to changes in smoker share for Marlboro and Newport (menthol).

The analysis assumed that a brand's share was flat within the Tracker age brackets and simply aged its smokers year by year, within or across these age brackets. For example, in 1981, Marlboro had a 34.3% Tracker share among 18-24 and a 21.9% share among 25-34. For 1982, we would estimate that, if nothing but aging occurred, Marlboro would have a 34.3% share among those who aged from 24 to 25 and still a 21.9% share among 26-34, who did not leave their 1981 bracket. Since 25-year-olds were about 11% of all 25-34 smokers in 1982, a weighted average indicates aging would push Marlboro's share among 25-34 from 21.9% in 1981 to 23.3% in 1982, a gain of 1.4 points.

11%	X	34.3	=	3.8 points from 25 year olds
89%	X	21.9	=	19.5 points from 26-34
100%				23.3% share among 25-34 if only aging occurred

Since Marlboro's Tracker share among 25-34 in 1982 was in fact only 23.0%, we presume the differences of about .3 was due to switching/starting/quitting among 25-34's that year.

In addition to the historical analysis, possible future effects of aging were conservatively projected for the brands by assuming that younger adults would drop in importance from 16.5% of all smokers in 1982 to 13.6% by 1988. Upside and downside future trends were calculated for each brand, with and without "other effects", based on the brand's history from 1980-83 (1st half).

Marlboro	D-1
Newport Menthol	D-2

* Gains within the younger adult group were considered aging contributions.

EFFECTS OF AGING ON SHARE OF SMOKERS

MARLBORO

HISTORICAL

		1980	1981	1982	1st Half 1983	1980-83 Annual Avg. Chg.
18-24	SMOKER SHARE	32.4	34.3	36.3	41.2	
	Change vs. Yr. Ago	+1.8	+1.9	+2.0	+4.9	+2.7
25-34	SMOKER SHARE	20.1	21.9	23.0	24.9	
	Change vs. Yr. Ago	+.5	+1.8	+1.1	+1.9	+1.3
	Aging Effect	+1.2	+1.3	+1.4	+1.4	+1.3
	Other Effects	-.7	+.5	-.3	+.5	NC
35-49	SMOKER SHARE	11.0	11.4	12.0	13.3	
	Change vs. Yr. Ago	+1.0	+.4	+.6	+1.3	+.8
	Aging Effect	+.8	+.7	+1.0	+1.0	+.9
	Other Effects	+.2	-.3	-.4	+.3	-.1
50+	SMOKER SHARE	5.6	5.8	5.6	6.3	
	Change vs. Yr. Ago	+.1	+.2	-.2	+.7	+.2
	Aging Effect	+.2	+.2	+.2	+.2	+.2
	Other Effects	-.1	NC	-.4	+.5	NC
TOTAL 18+	SMOKER SHARE	15.6	16.6	17.0	18.9	
	Change vs. Yr. Ago	+.6	+1.0	+.4	+1.9	+.9
	Aging Effect	+.7	+.9	+.8	+1.5	+.9
	Other Effects	-.1	+.1	-.4	+.4	NC

S0730 5678

- Over the last 3 1/2 years, Marlboro has gained an average of .9 share points per year of total smokers.
- Marlboro's long-term growth is entirely attributable to its large, steady gains among younger adults. Gains in older smoker groups appear to be solely the result of aging.

PROJECTED

- If Marlboro were to merely hold its 1983 share of younger adults and continue to be affected only by aging, its smoker share five years from now would be nearly 22%, a gain of 3 full points over the first half of 1983.

	1st Half 1983	PROJECTED 1984	1985	1988
Aging Effect				
18-24	41.2	41.2	41.2	41.2
25-34	24.9	26.6	28.1	32.1
35-49	13.3	14.3	15.4	18.5
50+	6.3	6.5	6.8	7.7
Total	18.9	19.1	19.8	21.9
Other Effects (Cum.)		NC	NC	NC
OVERALL	18.9	19.1	19.8	21.9

- If Marlboro were to continue to gain among younger adults at the rate seen since 1980, it could achieve a 55% share among younger adults and a 24% share of all smokers by 1988.

	1st Half 1983	PROJECTED 1984	1985	1988
Aging Effect				
18-24	41.2	43.9	46.6	54.7
25-34	24.9	26.6	28.2	33.8
35-49	13.3	14.3	15.4	18.5
50+	6.3	6.5	6.8	7.7
Total	18.9	19.5	20.6	24.2
Other Effects (Cum.)	-	-	-	-
OVERALL	18.9	19.5	20.6	24.2

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S1721 7886

EFFECTS OF AGING ON SHARE OF SMOKERS

NEWPORT MENTHOL

HISTORICAL

		1980	1981	1982	1st Half 1983	1980-83 Annual Avg. Chg.
18-24	SMOKER SHARE	6.1	7.0	7.6	8.5	
	Change vs. Yr. Ago	+.9	+.9	+.6	+.9	+.8
25-34	SMOKER SHARE	1.8	2.5	2.7	3.3	
	Change vs. Yr. Ago	+.1	+.7	+.2	+.6	+.4
	Aging Effect	+.4	+.5	+.5	+.5	+.5
	Other Effects	-.3	+.2	-.3	+.1	-.1
35-49	SMOKER SHARE	.7	.8	.8	1.0	
	Change vs. Yr. Ago	-.1	+.1	NC	+.2	+.1
	Aging Effect	+.1	+.1	+.2	+.2	+.2
	Other Effects	-.2	NC	-.2	NC	-.1
50+	SMOKER SHARE	.4	.4	.4	.2	
	Change vs. Yr. Ago	NC	NC	NC	-.2	NC
	Aging Effect	NC	NC	NC	NC	NC
	Other Effects	NC	NC	NC	-.2	NC
TOTAL	18+ SMOKER SHARE	1.9	2.2	2.3	2.6	
	Change vs. Yr. Ago	+.2	+.3	+.1	+.3	+.2
	Aging Effect	+.3	+.3	+.2	+.2	+.2
	Other Effects	-.1	NC	-.1	+.1	NC

S0730 S679

- Over the last four years, Newport has gained an average of .2 share points per year of total smokers.
- Newport's long-term growth is entirely attributable to its large, steady gains among younger adults. Gains in older smoker groups appear to be solely the result of aging.

PROJECTED

- If Newport were to hold its 1983 share of younger adults and continue to be affected only by aging, its total smoker share 5 years from now would be 3.4%, a gain of .8 points over 1983.

	1st Half 1983	PROJECTED 1984	1985	1988
Aging Effect				
18-24	8.5	8.5	8.5	8.5
25-34	3.3	3.9	4.4	5.7
35-49	1.0	1.2	1.4	2.1
50+	.2	.2	.2	.3
Total	2.6	2.7	2.8	3.4
Other Effects (Cum.)		NC	NC	NC
OVERALL	2.6	2.7	2.8	3.4

- If Newport were to continue to gain among younger adults at the rate seen since 1980, its total smoker share could reach 4.1% by 1988.

	1st Half 1983	PROJECTED 1984	1985	1988
Aging Effect				
18-24	8.5	9.3	10.1	12.5
25-34	3.3	3.9	4.5	6.2
35-49	1.0	1.2	1.4	2.2
50+	.2	.2	.2	.3
Total	2.6	2.8	3.1	4.1
Other Effects (Cum.)		NC	NC	NC
OVERALL	2.6	2.8	3.1	4.1

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APPENDIX F

SOURCE OF BRAND PERCEPTIONS

- Younger adult smokers are more likely than older smokers to base brand perceptions on other people they see using the brand.

	BASIS FOR USUAL BRAND PERCEPTIONS		
	% of Total Smokers (2627)	% of Smokers 18-24 (443)	Index of 18-24 Vs. Total
Product	87.5%	88.2%	101
Advertising	45.3	43.9	97
Package	28.7	28.7	100
Name	35.0 ——>	41.1	117
Other Users	38.9 ——>	49.4	127

- Younger adult smokers are especially likely to basis their imagery of Marlboro and Newport on other users.

	BASIS FOR USUAL BRAND PERCEPTIONS		
	KEY BRAND IMPORTANCE	AVG. U.B. IMPORTANCE	MARL. VS. AVG. INDEX
MARLBORO (Base = 252)			
Product	83.8% ——>	88.2%	95
Advertising	48.8	43.9	111
Package	20.9 ——>	28.7	73
Name	43.2	41.1	105
Other Users	58.4 <——	49.4	118
NEWPORT (Base = 79)			
Product	69.3% ——>	88.2%	79
Advertising	35.0 ——>	43.9	80
Package	20.0 ——>	28.7	70
Name	23.7 ——>	41.1	58
Other Users	60.5 <——	49.4	122

——> = Significantly higher at 80% confidence level.

Source: 1983 SDS

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APPENDIX C

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RJM 062951

DISTRIBUTION OF MARLBORO SWITCHING LOSSES

A brand's or company's effectiveness at drawing younger adult smokers from Marlboro can be measured by:

1. The size (points) of Marlboro's switching loss to that brand/company.
2. The percentage importance of that brand/company to Marlboro's losses.
3. The brand/company percentage of Marlboro losses versus its "fair share", based on its development among smokers 18-24.

BY COMPANY

During 1980-83 (1st half), Marlboro averaged a .36 point net switching loss every six months among younger adult smokers. Other Philip Morris brands were the beneficiaries of nearly half of Marlboro's net losses, allowing PM to keep twice its fair share of these younger adult smokers.

MARLBORO SWITCHING AMONG SMOKERS 18-24
Avg. per 6 Mo. 1980-83 (1st half)

Marlboro Switching vs:	Net Points of 18-24	% Importance To Marlboro Losses		Fair Share Of Marlboro Losses
ATC	- .05	11%		2%
B&W	+ .10	---		18
Liggett	- .01	2		1
Lorillard	- .17	38		15
Philip Morris	- .22	49	←	27
RJR	.00	---		37
TOTAL	- .36	100%		100%

Sources: NFO, MDD Tracker

BY BRAND

Virginia Slims and Merit were almost entirely responsible for retaining such a large proportion of younger adult Marlboro switchers within PM's corporate fold. Among RJR brands, VANTAGE was most effective at gaining 18-24 switchers from Marlboro.

MARLBORO SWITCHING AMONG SMOKERS 18-24
Avg. per 6 Mo. 1980-83 (1st half)

Marlboro Switching vs:	Net Points of 18-24	% Importance To Marlboro Losses		Fair Share Of Marlboro Losses
Virginia Slims	- .14	19%	←	9%
Merit	- .07	10		8
Other PM	- .01	1		10
CAMEL	- .04	5		5
WINSTON	- .05	7		11
VANTAGE	- .09	12	←	4
Other RJR	+ .18	---		17
All Other Brands	- .14	46		46
TOTAL	- .36	100%		100%

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RJM 062952

APPENDIX I

BLACK/WHITE YOUNGER ADULT DEVELOPMENT OF KEY BRANDS, 1940-83

		SHARE AMONG 18-YEAR-OLDS							
		1940-49	1950-54	1955-59	1960-64	1965-69	1970-74	1975-79	1978-83
PALL MALL	Black	—	16	38	13	—	—	—	—
	White	10	28	30	20	5	2	—	—
	Total	10	26	30	19	5	2	—	—
WINSTON	Black	—	—	6	30	40	9	5	—
	White	—	—	11	24	35	14	13	5
	Total	—	—	11	25	35	14	12	5
MARLBORO	Black	—	—	—	6	8	3	—	—
	White	—	—	3	12	21	48	44	56
	Total	—	—	3	12	20	44	41	50
SALEM	Black	—	—	9	8	8	15	27	15
	White	—	—	3	3	4	8	10	8
	Total	—	—	3	4	4	9	11	9
KOOL	Black	5	—	19	12	17	56	44	34
	White	1	2	1	2	4	11	11	5
	Total	1	1	3	3	6	14	15	8
NEWPORT	Black	—	—	—	—	1	5	15	33
	White	—	—	1	2	3	—	6	9
	Total	—	—	1	1	3	1	7	11

Source: 1983 Segment Description Study

ETHNIC SPENDING
($ IN 1,000'S)

	SALEM				Kool				Newport				SEGMENT	INDUST
	$	% Tot Brnd $	% Segm $	% Ind $	$	% Tot Brnd $	% Segm $	% Ind $	$	% Tot Brnd $	% Segm $	% Ind $	$	$
1970	32.3	0.1	2.4	0.9	779.8	3.8	58.8	22.8	514.6	16.1	38.8	15.1	1,326.7	3,416.
1971	725.0	5.5	55.7	22.7	576.0	2.7	44.3	18.0	0	0	0	0	1,301.0	3,198.
1972	938.1	4.9	74.2	25.9	325.5	1.7	25.8	9.0	0	0	0	0	1,263.6	3,625.
1973	1,109.0	5.5	55.0	24.3	908.0	5.5	45.0	19.9	0	0	0	0	2,017.0	4,564.
1974	1,555.0	7.3	49.5	23.1	1,484.0	7.2	47.3	22.0	100.0	1.6	3.2	1.5	3,139.0	6,744.
1975	1,776.0	8.3	40.3	19.0	2,427.1	10.8	55.0	26.0	207.4	3.0	4.7	2.2	4,410.5	9,349.
1976	1,530.0	5.9	39.1	20.2	2,200.0	8.9	56.3	29.1	180.0	2.8	4.6	2.4	3,910.0	7,565.
1977	1,405.0	5.6	46.1	16.9	1,335.0	4.1	43.8	16.1	310.0	2.9	10.2	3.7	3,050.0	8,310.
1978	1,670.0	5.7	51.1	20.4	1,210.0	4.1	37.0	14.8	390.0	4.1	11.9	4.8	3,270.0	8,180.
1979	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	*
1980	2,589.4	3.7	39.0	25.3	2,629.5	9.1	39.6	25.7	1,422.0	11.6	21.4	13.9	6,640.9	10,228.
1981	2,199.9	4.2	46.7	21.8	1,300.9	8.3	27.6	12.9	1,210.7	5.3	25.7	12.0	4,711.5	10,111.
1982	4,491.3	6.0	39.7	17.6	4,176.1	6.0	36.9	16.8	2,657.3	14.9	23.5	10.4	11,324.7	25,498.
1983 (Oct. YTD)	4,804.1	9.2	39.9	13.7	4,145.9	9.4	34.4	11.8	3,095.6	15.9	25.7	8.8	12,045.6	35,004.

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NOTE: Newport spending was essentially confined to North Atlantic/North Central Area until approximately 1981.

RJM 062954

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OUT-OF-HOME SPENDING
($ IN 1,000'S)

	SALEM				Kool				Newport				SEGMENT	INDU
	$	% Tot Brnd $	% Segm $	% Ind $	$	% Tot Brnd $	% Segm $	% Ind $	$	% Tot Brnd $	% Segm $	% Ind $	$	$
1970*	784.0	3.5	60.6	9.6	274.0	1.3	21.2	33.6	236.4	7.4	18.3	2.9	1,294.4	8,15
1971*	5,754.0	43.5	41.5	9.1	7,111.2	33.6	51.2	11.3	1,010.8	84.6	2.3	1.6	13,876.0	62,89
1972*	6,101.0	31.9	38.7	9.6	7,916.4	40.7	50.3	12.5	1,733.7	45.2	11.0	2.7	15,751.1	63,54
1973	7,276.0	35.8	43.6	11.2	7,541.0	45.5	45.2	11.6	1,873.0	47.3	11.2	2.9	16,690.0	64,9
1974	7,707.0	36.1	38.7	10.9	8,752.0	42.6	43.9	12.3	3,474.0	55.9	17.4	4.9	19,933.0	71,01
1975	8,535.0	39.8	42.8	11.1	8,953.0	39.8	44.7	11.7	2,499.4	36.7	12.5	3.3	20,007.4	76,80
1976	10,310.0	39.9	52.7	10.3	8,960.0	36.2	45.8	8.9	2,910.0	45.2	1.5	2.9	19,560.0	100,16
1977	9,740.0	39.1	41.5	8.0	8,695.0	26.8	37.0	7.1	5,050.0	47.1	21.5	4.1	23,485.0	121,8
1978	6,350.0	21.7	25.4	4.5	13,665.0	46.6	54.8	9.7	4,940.0	52.1	19.8	3.5	24,955.0	140,9
1979	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	
1980	15,296.8	22.0	45.7	9.1	12,458.0	42.9	37.2	7.4	5,744.3	46.9	17.1	3.4	33,499.1	168,27
1981	18,624.2	34.6	55.2	8.9	2,943.8	18.9	8.7	1.4	12,141.9	52.7	36.0	5.8	33,709.9	208,45
1982	17,095.6	22.7	35.2	7.1	20,619.9	29.5	42.4	8.5	10,900.8	61.3	22.4	4.5	48,616.3	241,19
1983 (Oct. YTD)	16,554.2	31.6	37.7	7.4	15,932.5	36.0	36.2	7.1	11,473.2	58.9	26.1	5.1	43,959.9	224,11

NOTE: Newport spending was essentially confined to North Atlantic/North Central Area until approximately 1981.

* Denotes "Outdoor" only.

50730 5685

RJM 062955

51721 7893

NEWPORT VS. KOOL PRODUCT

Competitive product test results showed Newport King and Kool King to be at parity on overall 7+ ratings among full flavor menthol smokers ages 18-24 in 1982. However, Newport was significantly more mild/smooth and less strong/harsh than Kool.

	KOOL		NEWPORT
(Base Size)	(192)		(163)
Overall %70+ Rating	51.6	..	56.4
Attributes			
More satisfying	4.16		4.33
Stronger	4.11	←	3.79*
More harsh	3.66*	←	3.07*
Smoother	3.91*	→	4.40*
Milder	3.88	→	4.17
More tobacco taste	3.96		3.71*
More tobacco than menthol	3.96*		3.95*
More menthol	4.16*	←	3.86*
Cooler	3.84*		3.83*
Less good aftertaste	4.03	←	3.67
Artificial tasting	3.94		3.77
Bitter tasting	3.58	←	2.95
Easier draw	4.80		4.87
Burns faster	4.04*	←	3.81*

Interpretation Note:

The arrow indicates a significant difference between the two products with the arrow pointing towards the product which is more in agreement with the attribute on the left. An asterisk indicates a significant difference versus the ideal.

Source: MDD 82-21223, 82-21230

APPENDIX L

PHILIP MORRIS SPECIAL MARKET PROGRAMS

ETHNIC SPENDING ($M)

	1980	1981	1982	1983
Marlboro	28	31	1028	1127
B&H	618	821	2653	2888
V. Slims	523	588	2340	1945

Source: Media Department

RJM 062957

51721 7895

50730 5687

CLAIMED READERSHIP AMONG 18-24 YEAR OLD SMOKERS

MAGAZINES	TOTAL		MALE		FEMALE		WHITE		BLACK	
	REACH (%)	EFFICIENCY * VS. TOT. 18+	REACH (%)	EFFICIENCY * VS. MALE 18+	REACH (%)	EFFICIENCY * VS. FEM. 18+	REACH (%)	EFFICIENCY * VS. WHITE 18+	REACH (%)	EFFICIENCY * VS. BLACK 18+
Newsstand Weekly	73	104	64	100	81	107	73	106	74	96
Men's General	44	135	66	137	25	146	43	142	[illegible]	117
News Weeklies	40	83	41	78	38	90	39	82	44	87
Selective Female	39	132	11	76	65	143	37	144	42	98
Reader Sports	38	121	54	120	24	133	36	124	49	113
Women's General	38	78	8	39	65	89	37	80	43	87
Hunt/Fish/Outdoors	34	111	47	107	20	136	35	114	32	102
Automotive	33	160	54	166	13	168	34	169	24	113
Shelter	32	72	16	50	47	82	28	67	49	91
General	29	89	27	79	31	100	25	84	46	103
Fashion	24	149	6	109	41	150	21	151	36	144
Mechanical	21	92	33	92	9	114	20	86	19	109
Black	19	123	15	103	24	139	3	143	88	108
Literary	16	111	19	107	13	122	15	120	20	85
How To	15	62	8	47	22	69	16	61	17	78
Participant Sports	15	92	16	72	13	144	14	85	17	112
Business/Finance	15	73	17	67	12	86	12	61	23	97
Epicurean	9	64	4	40	13	75	8	59	12	90

* Index of readership among 18-24 group vs. indicated smoker total.

▭ = Top 4 magazine categories based on Reach X Efficiency.

Source: 1983 Segment Description Study

50730 5688

RJM 062958 51721 7896

YOUNGER ADULT TARGET DEFINITION AIDS

The charts in this Appendix summarize demographic differences within the younger adult smoker population which may be relevant to brand target definition.

For selected brands, the tables provide:

- Brand share/development by sex, education, race, and sex within race from MDD Tracker (Year 1983). Share and development by income level and for education within race/sex have been approximated by applying the relative development found in the 1983 SDS to the overall development shown on Tracker.

- Opportunity/Vulnerability Indices by demos, from the 1983 SDS.

  - The Vulnerability Indices reflect the proportion of the brand's franchise (in that demo) which are not core smokers of the brand and would therefore be relatively open to competitive appeals.

  - The Opportunity Indices reflect the extent to which the brand might further capitalize on positive smoker attitudes (within the demo) by drawing more of its fringe into its franchise.

  Both indices are relative to the Opportunity/Vulnerability of the average brand in the total market.

NEWPORT

	USUAL BRAND SMOKERS			
	Share In Demo.	Development Index	OPPORTUNITY INDEX	VULNERABILITY INDEX
Total Smokers 18+	2.8%	--	93	116
TOTAL SMOKERS 18-24	8.9	100	74	89
Black	36.4	409	57	109
White/Other	5.3	60	88	78
Male	7.6	85	80	103
Female	10.2	115	69	78
Beyond H.S.	8.4	94	50	80
H.S. or Less	9.2	103	89	96
Under $15M	10.5	118	86	85
Over $15M	7.8	88	59	101
Black 18-24				
Male	35.8	402	59	131
Female	36.9	415	55	88
Beyond H.S.	48.6	546	45	80
H.S. or Less	30.6	344	67	134
Under $15M	33.9	381	80	98
Over $15M	44.2	497	18	122
White 18-24				
Male	4.3	48	102	88
Female	6.4	72	77	71

* Small base size.

51721 7898

50730 5690

RJM 062960

SALEM

	USUAL BRAND SMOKERS			
	Share In Demo.	Development Index	OPPORTUNITY INDEX	VULNERABILITY INDEX
Total Smokers 18+	9.4%	--	77	103
TOTAL SMOKERS 18-24	8.1	100	84	126
Black	13.6	168	123	83
White/Other	7.4	91	67	140
Male	5.8	72	110	125
Female	10.4	128	64	126
Beyond H.S.	8.2	101	101	157
H.S. or Less	7.9	98	76	115
Under $15M	7.4	92	89	125
Over $15M	8.4	104	84	120
Black 18-24				
Male	10.6	131	139	63
Female	16.0	198	109	95
Beyond H.S.	13.4	165	125	95
H.S. or Less	11.4	141	95	133
Under $15M	7.3	90	76	82
Over $15M	21.4	264	162	81
White 18-24				
Male	5.3	65	98	142
Female	9.6	119	42	138
Beyond H.S.	6.2	77	91	175
H.S. or Less	8.3	102	52	123
Under $15M	7.5	92	47	139
Over $15M	7.1	87	86	132

* Small base size.

RJM 062961

51721 7899

50730 5691

KOOL

	USUAL BRAND SMOKERS			
	Share In Demo.	Development Index	OPPORTUNITY INDEX	VULNERABILITY INDEX
Total Smokers 18+	6.6%	--	89	88
TOTAL SMOKERS 18-24	6.7	100	83	94
Black	21.8	325	63	99
White/Other	4.7	70	95	87
Male	6.7	100	63	124
Female	6.7	100	99	63
Beyond H.S.	4.0	60	95	88
H.S. or Less	7.8	116	77	97
Under $15M	8.3	124	83	110
Over $15M	4.4	66	82	77
Black 18-24				
Male	24.1	360	58	110
Female	19.9	297	69	84
Beyond H.S.	17.3	259	59	126
H.S. or Less	25.1	375	65	88
Under $15M*	28.8	429	50	124
Over $15M*	12.1	181	100	22
White 18-24				
Male	4.7	70	66	133
Female	4.8	72	115	38

* Small base size.

51721 7900

50730 5692

RJM 062962

MARLBORO

	USUAL BRAND SMOKERS			
	Share In Demo.	Development Index	OPPORTUNITY INDEX	VULNERABILITY INDEX
Total Smokers 18+	18.9%	--	77.	97
TOTAL SMOKERS 18-24	41.2	100	42	112
Black	6.1	15	163	95
White/Other	45.8	111	43	113
Male	49.0	119	44	121
Female	33.5	81	39	100
Beyond H.S.	33.9	82	42	127
H.S. or Less	44.2	107	40	103
Under $15M	41.6	101	44	130
Over $15M	41.2	100	40	96
Males 18-24				
Black	11.3	27	219	189
White/Other	53.5	130	45	126
Beyond H.S.	48.3	117	43	149
H.S. or Less	50.3	122	41	106
Under $15M	53.1	129	41	133
Over $15M	45.5	110	49	105
Females 18-24				
Black	1.8	4	113*	95*
White/Other	38.0	92	39	96
Beyond H.S.	32.5	79	41	99
H.S. or Less	33.7	82	38	98
Under $15M	30.7	75	48	125
Over $15M	36.6	89	28	85

* Small base size.

51721 7901

50730 5693

RJM 062963

WINSTON

	USUAL BRAND SMOKERS Share In Demo.	Development Index	OPPORTUNITY INDEX	VULNERABILITY INDEX
Total Smokers 18+	11.4%	--	98	108
TOTAL SMOKERS 18-24	5.6	100	156	110
Black	1.5	27	145*	189*
White/Other	6.2	111	153	109
Male	7.4	132	157	105
Female	3.9	70	151	115
Beyond H.S.	4.8	86	174	142
H.S. or Less	6.0	107	141	96
Under $15M	4.5	80	171	128
Over $15M	7.0	126	137	103

* Small base size.

51721 7902

50730 5694

RJM 062964

CAMEL

	USUAL BRAND SMOKERS			
	Share In Demo.	Development Index	OPPORTUNITY INDEX	VULNERABILITY INDEX
Total Smokers 18+	4.5%	--	101	99
TOTAL SMOKERS 18-24	3.8	100	123	138
Black	.8	21	*	*
White/Other	4.2	111	123	138
Male	6.2	163	121	162
Female	1.4	37	134	0
Beyond H.S.	4.8	126	65	145
H.S. or Less	3.4	89	161	126
Under $15M	5.1*	133*	109*	109*
Over $15M	2.0*	75*	140*	189*

* Small base size.

51721 7903

50730 5695

RJM 062965

MERIT

	USUAL BRAND SMOKERS Share In Demo.	Development Index	OPPORTUNITY INDEX	VULNERABILITY INDEX
Total Smokers 18+	4.9%	--	94	101
TOTAL SMOKERS 18-24	4.8	100	129	93
Black	.5	10	*	*
White/Other	5.4	113	128	92
Male	5.0	104	141	91
Female	4.6	96	113	95
Beyond H.S.	7.6	158	140	88
H.S. or Less	3.6	75	128	91
Under $15M	4.1*	84*	142*	108*
Over $15M	4.9*	102*	127*	91*

* Small base size.

VANTAGE

	USUAL BRAND SMOKERS			
	Share In Demo.	Development Index	OPPORTUNITY INDEX	VULNERABILITY INDEX
Total Smokers 18+	3.9%	--	110	101
TOTAL SMOKERS 18-24	2.4	100	147	129
Black	.5*	21*	*	*
White/Other	2.7	113	148	128
Male	2.7	113	150	189
Female	2.2	92	143	47
Beyond H.S.	3.3	138	167	95
H.S. or Less	2.1	88	132	141
Under $15M	.9*	36*	136*	24*
Over $15M	4.1*	171*	111*	160*

* Small base size.

51721 7905

RJM 062967

50730 5697

VIRGINIA SLIMS

	USUAL BRAND SMOKERS Share In Demo.	USUAL BRAND SMOKERS Development Index	OPPORTUNITY INDEX	VULNERABILITY INDEX
Total Smokers 18+	3.0%	--	116	82
TOTAL SMOKERS 18-24	5.4	100	117	94
Black	3.5	65	153	108
White/Other	5.7	106	115	88
Male	.1	2	*	*
Female	10.7	198	117	94
Beyond H.S.	7.3	135	103	93
H.S. or Less	4.6	85	128	94
Under $15M	4.8	88	111	77
Over $15M	5.8	108	119	109
Female 18-24				
Black	6.0	111	153	108
White/Other	11.4	211	115	88
Beyond H.S.	13.7	254	103	93
H.S. or Less	8.8	163	128	94
Under $15M	9.3	173	111	77
Over $15M	12.3	227	119	109

* Small base size.

51721 7906

RJM 062968

50730 5698

F

MORRISSEY
EXHIBIT NO. 6
M. BANTA 5/28/97

YOUNGER ADULT SMOKERS

50718 1868

51721 7907

YOUNGER ADULT SMOKERS
STRATEGIC IMPORTANCE

1. EACH YEAR 1.0MM NEW ADULT SMOKERS ENTER THE CIGARETTE MARKET -- 2.0 SHARE POINTS.

2. YAS ARE THE ONLY SOURCE OF REPLACEMENT SMOKERS.
   - LESS THAN ONE-THIRD OF SMOKERS START AFTER AGE 18.
   - ONLY 5% OF SMOKERS START AFTER AGE 24.

3. FIRST USUAL BRAND YOUNGER ADULT SMOKERS (FUBYAS) DRIVE THE GROWTH OF MARLBORO AND NEWPORT.

4. THE VALUE OF FUBYAS COMPOUNDS OVER TIME DUE TO EXTREME BRAND LOYALTY AND RATE PER DAY INCREASES.
   - OF ALL SMOKERS WHO CHOSE MARLBORO AS A FUB IN THE MID 1970'S, 41% STILL SMOKE THE BRAND.
   - RATE PER DAY INCREASES 30% BETWEEN AGES 18 AND 35.

5. RJR IS SUBSTANTIALLY UNDERDEVELOPED AND DECLINING IN SHARE OF 18-20 YEAR OLD SMOKERS.

	SHARE OF 18-20 SMOKERS				
	1983	1984	1985	1986	1ST HALF 1987
RJR	16.8	16.4	14.5	14.0	12.4
P. MORRIS	65.1	65.4	67.5	67.9	67.8
DIFFERENCE	48.3	49.0	53.0	53.9	55.4

SOURCE: TRACKER

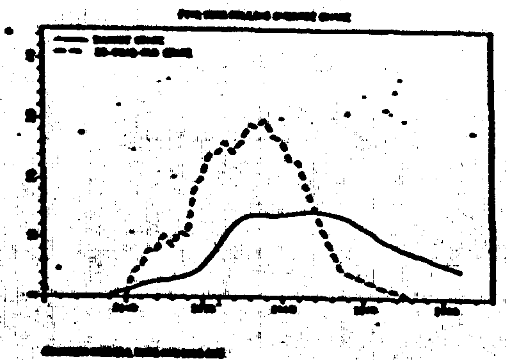
SO718 1987

51721 7908

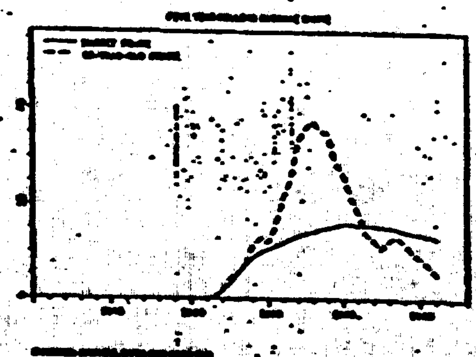
YOUNGER ADULT SMOKERS
THE CHALLENGE

THERE HAVE ONLY BEEN 5 MAJOR CIGARETTE BRANDS WHICH BENEFITTED FROM THE FUB DYNAMIC DURING THE PAST 50 YERS. IN FACT, FURYAS PLAYED SOME ROLE IN CREATING ALL THE MAJOR BRANDS THAT HAVE DEVELOPED IN THE BUSINESS.

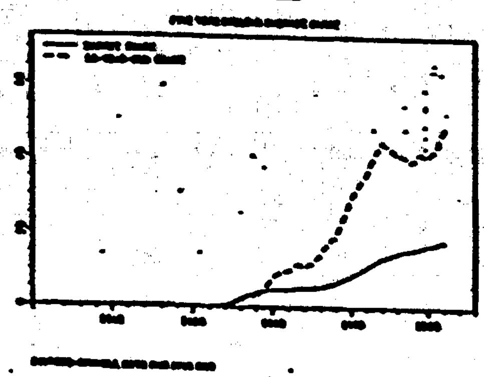
PALL MALL



WINSTON



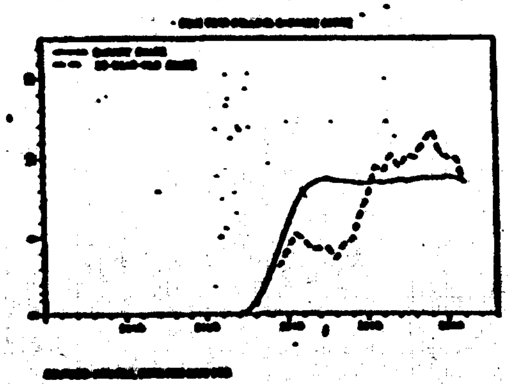
MARLBORO



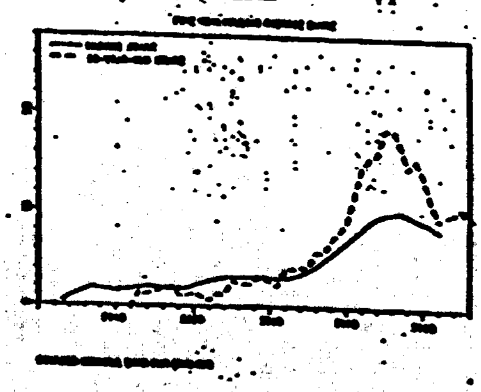
50718 1968

YOUNGER ADULT SMOKERS
THE CHALLENGE

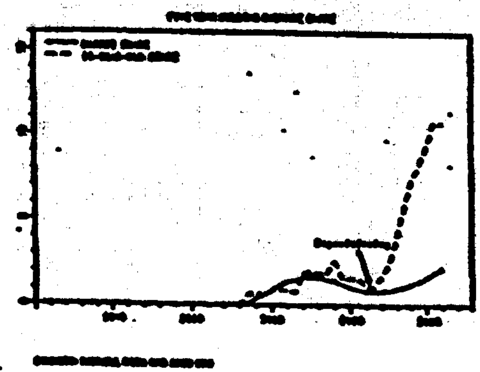
SALEM



KOOL



NEWPORT



Sum up the issue
Over 10 years, nearly 23 pts gain through 18 ...
Brand/Cos that appeal again long term growth
Low appeal and declining RJR brands have ...

50718 1969

PURPOSE

- To move from problem identification to WHAT WE CAN DO ABOUT IT.
- To provide insights into actions which can improve RJR performance among FUBYAS.

SOURCES

- MDD/MARKETING INPUT.
  - QUALITATIVE "GUT FEEL"
  - DATA REVIEW AND SOMETIMES RE-ANALYSIS

Bo-
Cosmetics
Ad Devel
Academics
Adult Fashion Opinion

- OUTSIDE EXPERTS FROM OTHER DISCIPLINES AND INDUSTRIES.

- YA SMOKERS.
  - GROUPS AND DEPTHS
  - SAN DIEGO, MEMPHIS, NEW YORK

50716 1971

SUCCESSFUL MARKETING

TO

YOUNGER ADULT SMOKERS

1. SUCCESSFUL YA MARKETING EXAMPLES FROM OTHER CATEGORIES

2. IDEAS FOR POSITIONING SUCCESS

   - PRINCIPLES FROM HISTORY
     - "BEING IN TUNE" (DIFFERENTIATION)
     - USING GROWTH SECTORS

   - KNOWING THE TARGET
     - MARKET TRENDS
     - MINDSETS

3. EXECUTIONAL IDEAS -- MAKING IT LOOK RIGHT TO YAS EYES
   - "LIFESTYLE GROUPS" YAS'S KNOW
   - CUES AND SYMBOLS

4. KEY CONCLUSIONS

• TWO VERY DIFFERENT EXAMPLES OF SUCCESSFUL BRAND STRATEGIES:

1. JACK DANIEL'S -- THE MARLBORO OF BOURBONS
   - UNEXPECTED POSITIONING AND EXECUTION
   - CONSISTENT, LONG TERM MARKETING EFFORT

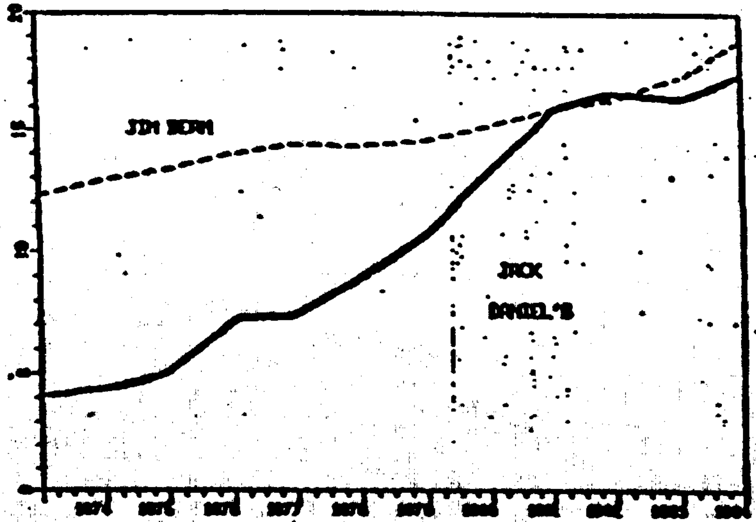
2. BUDWEISER -- TURNING A BIG BRAND AROUND

50718 1978

51721 7914

JACK DANIEL'S

SHARE OF ALL BOURBON SALES



Source: Maxwell Data (1983 Estimated)

- AD AGE SAYS JACK DANIEL'S IS

  "UNDOUBTEDLY ONE OF THE CLEAREST EXAMPLES OF SUCCESSFUL MARKETING IN A DECLINING CATEGORY."

- JD ROSE FROM #9 AMONG BOURBONS IN 1974 TO #2 BY 1979 AND HAS SINCE RUN NECK AND NECK FOR #1 WITH JIM BEAM, THE LONG TIME MARKET LEADER.

- DURING THE 70'S, JD'S SALES GAINS AVERAGED 15% GROWTH PER YEAR, MORE THAN TRIPLING ITS VOLUME OVER THE DECADE.

JD'S TARGET - YA

- ALTHOUGH ITS ORIGINAL IDEA IN 1954 WAS TO CAPITALIZE ON MIDDLE-AGED MEN'S NOSTALGIA FOR "MOM'S APPLE PIE", JD NOW PURPOSELY TARGETS YOUNGER ADULTS (AD AGE 8/4/80).
- THEIR SUCCESS IS SHOWN IN THEIR AGE PROFILE WHICH RESEMBLES MARLBORO'S AND SUGGESTS THAT THE BRAND'S OVERALL GROWTH MAY BE A FUNCTION OF AGING AND BRAND LOYALTY, SIMILAR TO MARLBORO OR NEWPORT.

BRAND USED "MOST OFTEN" (SMRB)

	BDI FOR:	
AGE	BOURBON	J.D.
18-24	116	158
25-34	111	127
35-44	105	104
45-54	98	81
55-64	94	66
65 PLUS	68	39

SOURCE: 1986 SMRB

60718 1875

51721 7916

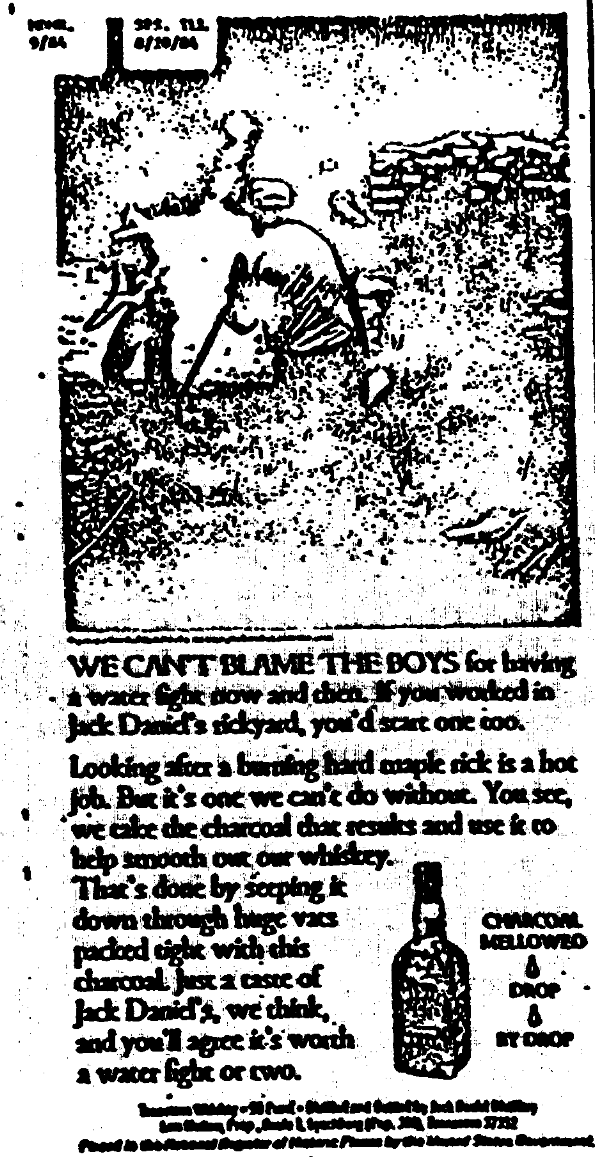
JD'S POSITIONING

- JD IS TO BE SEEN AS "THE MOST CAREFULLY MADE, HIGHEST QUALITY, SUPERPREMIUM BRAND OF AMERICAN STRAIGHT WHISKEY ON THE MARKET." (AA 8/4/80) ITS IMAGE SHOULD REFLECT "A SOFT-SPOKEN RESTRAINED PERSONALITY THAT ATTRACTS SIMPLY BECAUSE IT NEVER SEEMS TO TRY TOO HARD". (AA 7/26/84)

JD'S CONCEPT

"THEY MADE IT RIGHT IN THE GOOD OLD DAYS"

ITS AD CAMPAIGN CONVEYING THIS MESSAGE APPEARED IN 1954 AND CONTINUES TODAY.



- THE ADS "SEEMED REVOLUTIONARY AT THE TIME -- THE LONG COPY WITH NO HEADLINE, BLACK AND WHITE PHOTO, FRACTIONAL-PAGE SIZE... OUR ADS LOOKED A BIT ODD AMONG THE BOTTLE-AND-GLASS AND BEAUTIFUL PEOPLE ADS." (AA 7/23/84)

- VISUALS AND COPY ARE "DOWN HOME", UNDERSTATED, AND A BIT IRREVERENT, BUT GENERATE THE HIGHEST AWARENESS NUMBERS IN THE ENTIRE LIQUOR INDUSTRY.

- JD HAS A MYSTIQUE, SOME OF WHICH IS ACCIDENTAL, SUCH AS CELEBRITY ASSOCIATION.

- BUT JD HELPS THE MYSTIQUE. ITS DISTILLERY IS ADVERTISED TO BE:

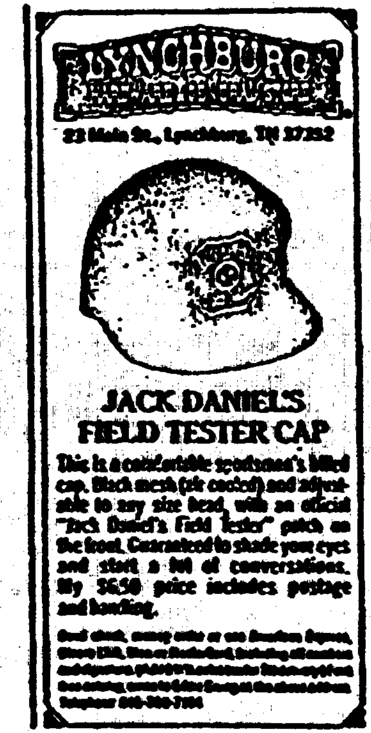
  - NESTLED IN THE FOOTHILLS OF THE CUMBERLAND MOUNTAINS AT LYNCHBURG, TN (POP. 361).

  - IN A DRY COUNTY (THEREFORE "ILLICIT").

  - ON THE U.S. NATIONAL REGISTER OF HISTORIC PLACES.

JD PROMOTIONS

PROMOTIONAL MERCHANDISE; ESPECIALLY CLOTHING, IS A MAJOR ELEMENT IN JD'S MARKETING PROGRAM.



- PROMO ITEMS ARE MARKETED THROUGH THE "LYNCHBURG HARDWARE AND GENERAL STORE", WHICH IS HEADED BY A CORPORATE VP.

EXEC. VP BRAND MARKETING

- VP - BRAND ADVERTISING
- VP-"LYNCHBURG HARDWARE & GENERAL STORE"

- THE "LYNCHBURG STORE" RUNS ITS OWN SEPARATE, NATIONAL CAMPAIGN FOR WEARABLES.

51721 7919

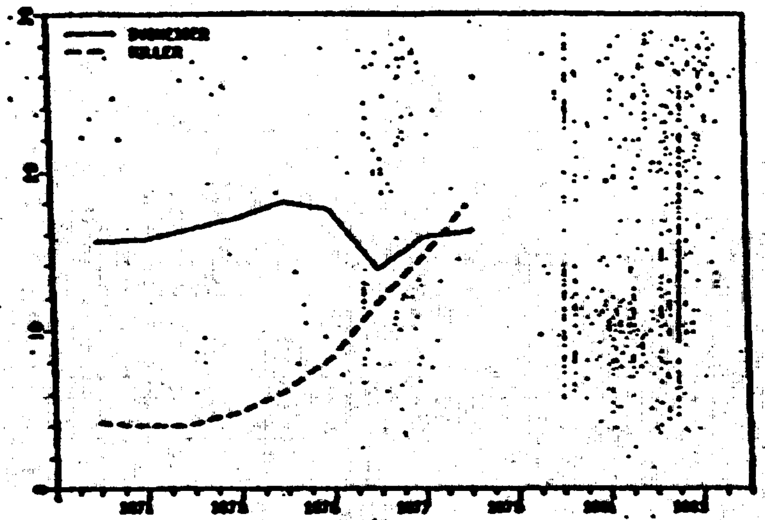
JD IS AN EXAMPLE OF A VIABLE POSITIONING, EXECUTED IN A "NON-STANDARD" BUT AUTHENTIC AND UNPRETENTIOUS WAY, WHICH NOT ONLY REACHED YA CONSUMERS BUT CONVERTED YA'S INTO WALKING BILLBOARDS. THEY STARTED WITH A GOOD IDEA AND STUCK TO IT.

BUDWEISER, IN CONTRAST, IS A STORY OF HAVING TO RE-THINK THE YA MARKET WHEN THE GOING GOT ROUGH.

50718 1879

- BUDWEISER LOST MARKET LEADERSHIP TO MILLER IN 1978, ALTHOUGH THE HANDWRITING WAS ON THE WALL BY 1976.

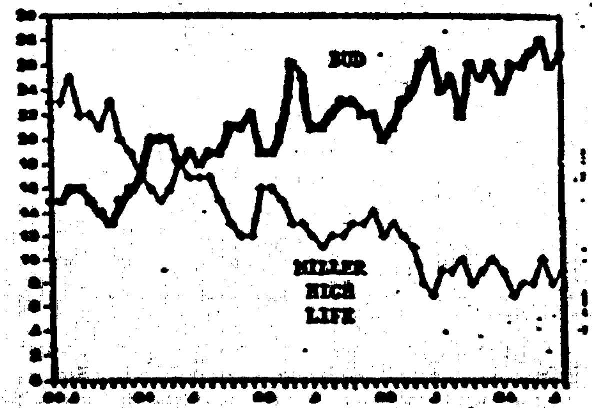
BUDWEISER - MILLER



- IT WAS IN 1976 THAT AUGUST BUSCH DECIDED TO BITE THE BULLET AND GO TO WORK ON YOUNGER ADULTS.
- EVERY YEAR SINCE THEN, A-B HAS INCREASED ITS COMMITMENT. IN FIELD MARKETING ALONE, THEY HAVE GROWN FROM ONE MAN AND $1MM IN 1977, TO 18 STAFF AND $10MM IN 1984.

- DESPITE THIS STEADFAST AND INCREASING COMMITMENT, IT WAS 1981 -- 3 TO 4 YEARS -- BEFORE BUD CAUGHT MILLER AMONG YOUNGER ADULTS.

REGULAR BRAND USAGE
AGE 18-24



- BUT WHEN THEY DID, THE PAYOFF WAS BIG.

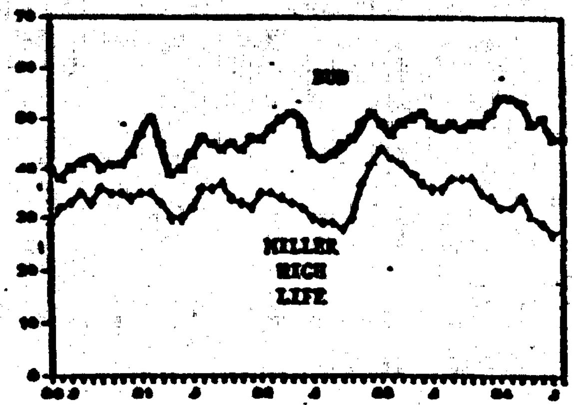
	REGULAR BRAND SHARE 18-24		
	1980		1983
BUDWEISER	15	→	26
HIGH LIFE	22	←	9

WHAT DID BUD DO?

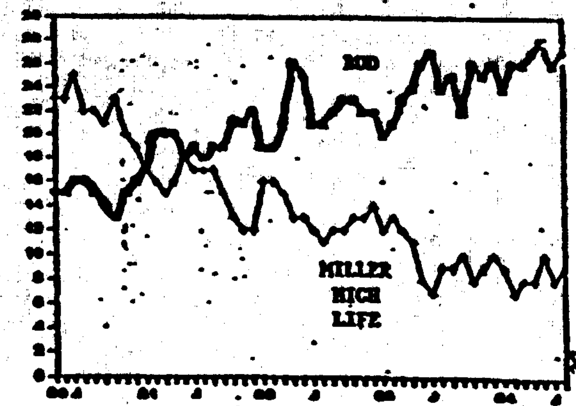
1. THEY INCREASED THEIR OVERALL AD SPENDING.

BUT YOUNGER ADULT AD AWARENESS PER SE WAS NOT THEIR PROBLEM VS. MILLER AND THEREFORE NOT THE SOLUTION TO THEIR PROBLEM.

AD AWARENESS 18-24



REG. BRAND USAGE 18-24



2. THEY HEAVIED UP FIELD MARKETING AND PROMOTIONS.

- THEIR LABEL (A YA STRENGTH) WENT ON PILLOWS, T SHIRTS, EVEN JEANS.

	PERCEPTIONS 18-24		
	BUD	MILLER H.L.	MILLER LITE
ATTRACTIVE PKG.	38%	← 26%	19%

- CAMPUS EVENTS, BAR NIGHTS, SOFTBALL TEAMS AND STREET SCENES -- GIVING THEIR COORDINATOR AUTHORITY TO IMPLEMENT AS HE SAW FIT (WITHIN GUIDELINES) TO CAPITALIZE ON A FIELD OPPORTUNITY ALMOST OVERNIGHT.

- THEY WENT WHERE THE YA WERE, IN SMALL AS WELL AS BIG WAYS.

3. THEY DIDN'T REPOSITION THE BRAND, THEY RE-EXECUTED IT FOR THE YOUNGER ADULT MARKET. THEY LEFT THE COPY AND CHANGED THE MESSAGE.

- BUD PRODUCED SPECIAL TV SPOTS FOR YA-TARGETED SHOWS, STARTING ON SATURDAY NIGHT LIVE WITH "TASTE BUD" -- AN IMPROMPTU-LOOKING AD WITH PEOPLE DRESSED AS TASTE BUDS IN A GIANT MOUTH, TOSSING BACK PIZZA INGREDIENTS WHICH WERE WASHED DOWN BY THROWING THE PRODUCT IN THEIR FACES. IT LOOKED LIKE PART OF THE PROGRAM.

TODAY "FOR ALL YOU DO" IN THE GENERAL MARKET IS TREATED AS A STRAIGHT, EVEN INSPIRATIONAL LINE. BUT FOR YA "ALL YOU DO" CAN MEAN ANYTHING.

ON THE BOTTOM LINE, YA PERCEPTIONS OF BUD DID CHANGE.

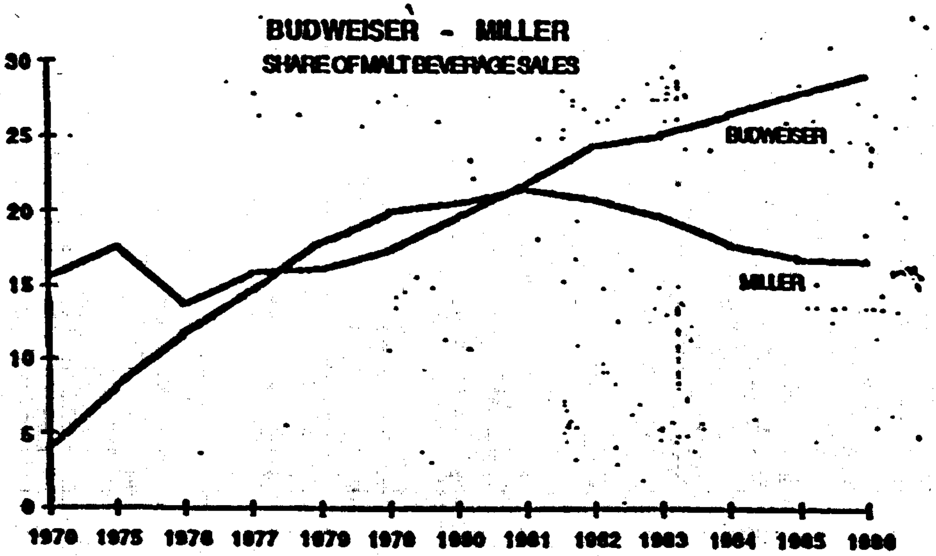
IN 1980, MILLER HAD ALL THE KEY PERCEPTIONS ON ITS SIDE.

BY 1983, BUD HAD MANAGED TO CHANGE THESE.

1. PERCEPTIONS OF PRODUCT SUPERIORITY SWUNG FROM MILLER TO BUD, BASED ON FULL-BODIED TASTE (NOTE THIS IS NOT OPPOSITE TO "LIGHT").
2. PERCEPTIONS OF QUALITY WHICH MEAN "GOOD VALUE" REGARDLESS OF PRICE.
3. A MORE YOUTHFUL IMAGE, AND THE IMPORTANT BENEFIT OF PEER PRESSURE.

YA PERCEPTIONS	1980 BUD		1980 HIGH LIFE	1983 BUD		1983 HIGH LIFE
PRODUCT						
SUPERIOR TASTE	43	⟶	65	58	⟵	50
FULL-BODIED TASTE	50	⟶	65	64	⟵	49
LIGHT TASTE	33	⟶	59	33	⟶	57
HIGH QUALITY	56	⟶	67	60	⟵	52
GOOD VALUE	37		43	39	⟵	30
FREQUENTLY ON SALE	36		31	35		30
IMAGE						
MASCULINE	62	⟵	57	71	⟵	52
REGULAR PERSON	66		63	65		60
SELF CONFIDENT	58		55	54		49
PRESTIGE	NA		NA	61		55
MODERN/YOUTHFUL	54	⟶	63	61		58
PEER PRESSURE						
POPULAR	44	⟶	66	63	⟵	52
YA REG. BRAND SHARE	15	⟶	$\boxed{22}$	$\boxed{26}$	⟵	9

IT PAID OFF WITH YOUNGER ADULTS AND IT PAID OFF IN THE TOTAL MARKET.



- THESE TWO EXAMPLES OF YOUNGER ADULT MARKETING SUCCESS, BUD AND JD, SHOW SOME SIMILAR THEMES IN VERY DIFFERENT SITUATIONS. BOTH ULTIMATELY LED TO SUCCESS IN THEIR LONG TERM TOTAL MARKETS.

- NEXT, WE WILL LOOK AT THEMES FROM THE LONG TERM CIGARETTE MARKET.

PRINCIPLES FROM HISTORY

IN THE HISTORICAL ANALYSIS, WE IDENTIFIED KEY THEMES IN THE SUCCESSION OF MAJOR FIRST USUAL BRANDS OF THE PAST. IN ESSENCE, THESE THEMES WERE:

1. BEING "IN TUNE" OR "OUT OF TUNE" IN TERMS OF PRODUCT, POSITIONING, OR EXECUTION.

   EXAMPLE: MARLBORO'S UNSMILING COWBOY WAS BETTER ATTUNED TO THE REBELLIOUS, FLOWER-CHILD 1960'S THAN LIGHTHEARTED "ALL AMERICAN" WINSTON -- AND WAS A MILDER, SMOOTHER PRODUCT.

2. GROWTH SECTORS -- "CATCHING THE RISING TREND"

   EXAMPLES:

   - PALL MALL LEVERAGED THE DEMOGRAPHIC SHIFT TO MORE YA WOMEN SMOKERS IN THE 1940'S.
   - WINSTON WAS IN PLACE WITH A POSITIVE MESSAGE TO CATCH THE RUSH TO FILTERS IN THE EARLY 1950'S.

3. PROVIDING A MEANINGFUL BRAND DIFFERENCE.

50718 1987

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WE CAN APPLY THESE 3 "PRINCIPLES":

- DIFFERENTIATION OF THE TARGET
- USING GROWTH SECTORS
- MEANINGFUL BRAND DIFFERENCE

AMONG YA SMOKERS TODAY, IN A VARIETY OF WAYS:

- DEMOGRAPHIC TRENDS
  - LESS EDUCATED
  - FEMALES
  - HISPANICS
  - BLACKS
- MINDSETS

50718 1988

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- THE NEXT SECTION HOMES IN ON A NUMBER OF FACTORS WHICH DIFFERENTIATE THE FUBYAS MINDSET TODAY

  - FROM FUBYAS OF YESTERDAY
  - FROM YA SWITCHERS
  - WITHIN THE FUBYAS GROUP

- OUR INTENT IS TO ACCURATELY HIGHLIGHT THESE KEY DIFFERENCES -- ALTHOUGH, CLEARLY, NOT EVERY INDIVIDUAL FUBYAS WILL FIT THE MOLD. THE BEST FIT WILL BE FOUND AMONG "LESS EDUCATED" YAS, WHO ARE THE BULK OF THE FUBYAS GROUP.

DIFFERENTIATING YAS TODAY FROM YESTERDAY

HOW FUBYAS SEE "THEIR GENERATION" VS. THE "OLDER GENERATION"

Talk about Drugs, Sex, etc... things that YAS of yesterday would keep quiet about.

- WE ARE MUCH MORE OPEN ABOUT EVERYTHING
  Not only talk but action
- WE HAVE SO MUCH FREEDOM
  - WE DON'T NEED TO REBEL
  - GROW UP FASTER, HAVE MORE CHOICES
  - LIBERAL ABOUT SEX
  - DON'T GET MARRIED, HAVE BABIES AS YOUNG
  - INTO DRUGS AND DRINK TOO MUCH
- BUT WITH FREEDOM, COMES STRESS
  - RESPONSIBLE FOR CHOICES
  - MAKE MISTAKES EARLIER
- OUR GENERATION IS GOING TO HUSTLE FOR THE MATERIAL THINGS -- EXPENSIVE TOYS -- NOT SAVE THE WORLD.
- BYWORD OF THE GENERATION - GOALS. WE DON'T RESPECT PEERS W/O GOALS -- BUT ALMOST ANY GOALS WILL DO.
- WE WON'T BE LIKE THE "OLDER GENERATION". WE'LL AVOID THE RUT.

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DIFFERENTIATING WITHIN YAS TODAY: FUBYAS VS. SWITCHERS

THROUGHOUT THIS NEXT SECTION, WE WILL BE TALKING ABOUT:

18-20 YEAR OLD SMOKERS = FUBYAS

21-24 YEAR OLD SMOKERS = SWITCHERS

DIFFERENCES BETWEEN THESE TWO YAS GROUPS IN TERMS OF BASIC NEEDS:

- ITS MEANING AND NATURE TO FUBYAS
- THE DIFFERENCE FUBYAS VS. SWITCHERS
- RELEVANCE TO MARKETING
- FIVE KEY NEEDS
  - BELONGING
  - BEING DIFFERENT
  - UPWARD STRIVING
  - EXCITEMENT
  - SEX

50718 1881

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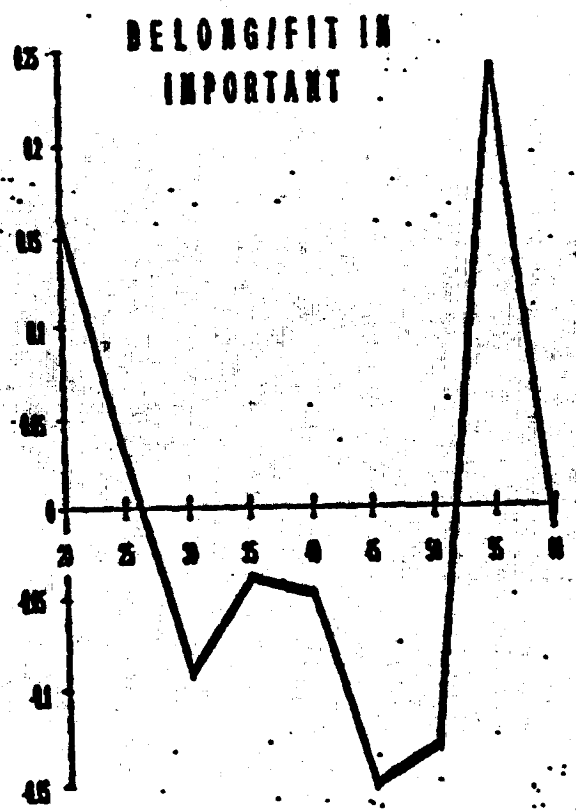
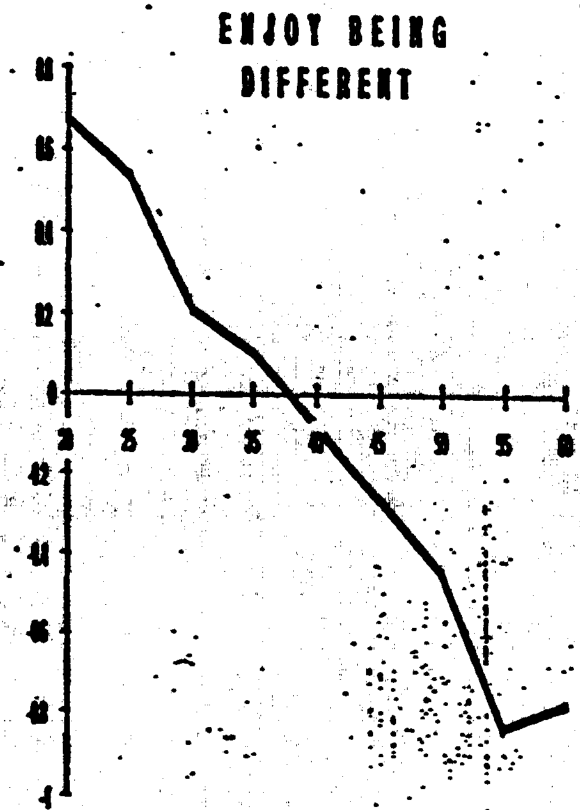
1. BELONGING

- BELONGING IS ENORMOUSLY IMPORTANT TO FUBYAS.
- AND THIS NEED DIFFERENTIATES THEM FROM SMOKERS IN OLDER AGE GROUPS.



2. **BEING DIFFERENT**

- BUT THEY ALSO . . .



- BELONG/FIT IN AND BE DIFFERENT A SOURCE OF CONFUSION TO NON-FUB MINDS -- UNTIL WE LOOK THROUGH THEIR EYES RATHER THAN OURS.

1. & 2. <u>BELONGING AND BEING DIFFERENT</u>

- FUBYAS ARE IN A TRANSITION

  automatic

  - BELONGING TO THE <u>FAMILY</u> (SECURE) REPLACED BY BELONGING TO SELECTED <u>PEER GROUP</u> (NOT AS SECURE)

    pay dues

  - BELONGING TO SELECTED PEER GROUP REQUIRES <u>BEING DIFFERENT</u> FROM:

    - FAMILY
    - OTHER PEER GROUPS

- FOR FUBYAS, THE TWO ARE INSEPARABLE.

50718 1884

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1. & 2. BELONGING AND BEING DIFFERENT

EURYAS	VS.	SWITCHERS
BELONGING:		**BELONGING:**
- PEER GROUP IDENTITY		
- A FEW CLOSE FRIENDS		- A FEW CLOSE FRIENDS
		- OPPOSITE SEX
		- THE BROADER SOCIETY
BEING DIFFERENT:		**BEING DIFFERENT:**
- BEING DIFFERENT VIA THE GROUP		- BEING DIFFERENT AS AN INDIVIDUAL DEVELOPING SELF-IDENTITY (TRANSITION)
- WHO ARE WE		- WHO AM I

1. & 2. BELONGING AND BEING DIFFERENT

- MARKETING RELEVANCE

  - FUBYAS' PEER GROUP IDENTITY WITH IDENTIFIABLE SOCIAL GROUPS PROVIDES:

    - SPECTRUM -- MINDSETS
    - SPECTRUM -- CUES & SYMBOLS
    - WILL DISCUSS LATER IN DETAIL

50718 1895

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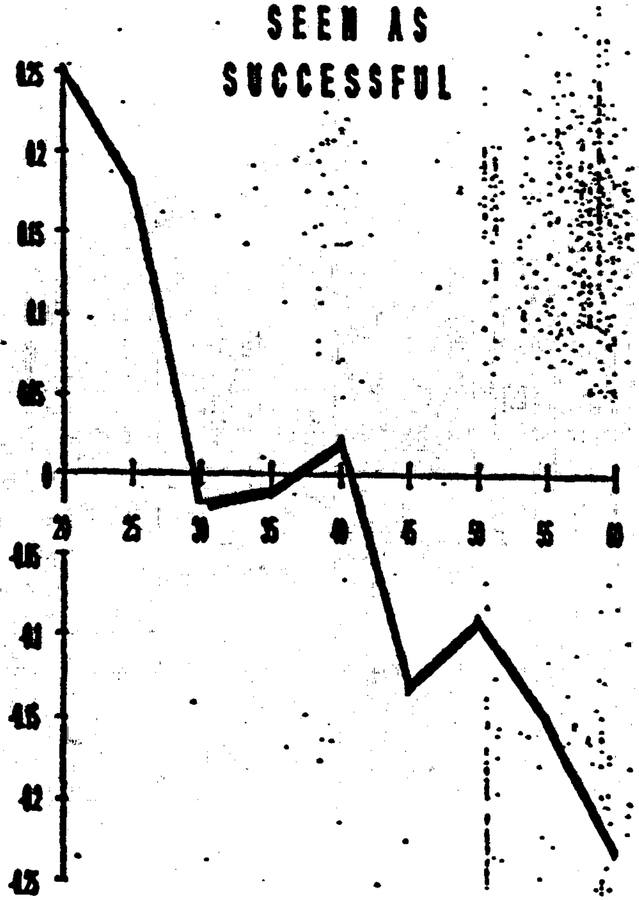
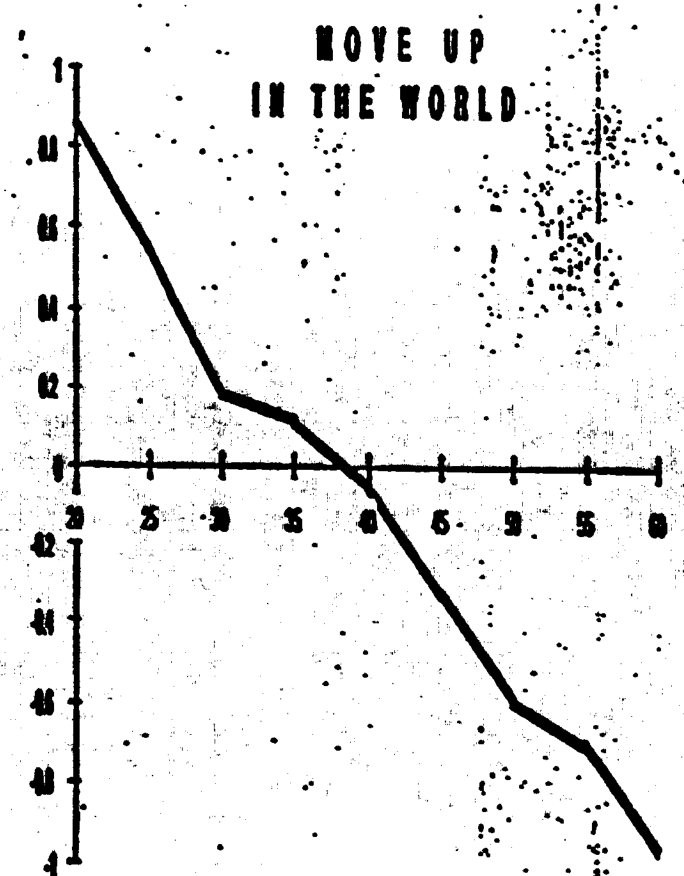
3. UPWARD STRIVING DIFFERENTIATES FURYAS



3. UPWARD STRIVING



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3. UPWARD STRIVING

- WHAT DO FUBYAS MEAN WHEN THEY TALK ABOUT THIS NEED?

FUBYAS	VS.	SWITCHERS
UPWARD STRIVING		UPWARD STRIVING

FUBYAS

SUCCESS RELATES TO TODAY

- REALITY-BASED AND FANTASY-BASED SUCCESS
  - REALITY-BASED — TODAY/ACHIEVABLE
    - A DATE
    - A GOOD PARTY
    - A "COUP" IN FRONT OF THE GANG
  - FANTASY-BASED — TODAY/UNACHIEVABLE
    - NO INTENT TO STRIVE
    - SUPER SUCCESS IN YOUR MIND
    - "RIDING THE BIG WAVE"

SWITCHERS

SUCCESS RELATES TO TOMORROW

- ASPIRATIONAL SUCCESS
  - JOB, CAREER SUCCESS
  - HIGH INCOME
  - NICE HOME

50718 1988

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3. UPWARD STRIVING

- **MARKETING RELEVANCE**

  - UPWARD STRIVING MOTIVES AND THEREFORE CUES AND SYMBOLS RELATED TO TOMORROW ARE NOT RELEVANT TO FUBYAS.

  - YANKELOVICH DATA SUGGESTS TWO FORMS OF FANTASY MAY BE BOTH DIFFERENTIATING AND GROWING AMONG YAS:

    - ESCAPE INTO IMAGINATION
    - THE GOOD OLD DAYS

50718 2000

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3. UPWARD STRIVING

- **Escape Into Imagination** (Responsiveness to Fantasy)

YAS ARE MUCH MORE LIKELY TO DEAL WITH LIFE BY ESCAPING INTO THE IMAGINATION.

	% Agree	Index
Total Population	24.6	100
Smokers	27.0	110
YAS	39.1	159

Source: Yankelovich 1979-87

THIS COULD TIE TO BUDWEISER'S MARKETING SUCCESS IN YAS PROGRAMS.

3. UPWARD STRIVING

- THE GOOD OLD DAYS (NEW ROMANTICISM)

BOTH SMOKERS AND YAS FIND ROMANCE IN THE FANTASY OF "THE GOOD OLD DAYS" AND THIS TENDENCY IS GROWING.

	PERCENT AGREE						
	1979	1981	1983	1985	1986	1987	INDEX*
TOTAL POPULATION	13	15	15	18	16	19	100
SMOKERS	14	16	17	NA	20	23	117
YAS	20	28	30	NA	35	38	215

SOURCE: YANKELOVICH

* 1979-87

THIS COULD LINK TO THE SUCCESS OF JACK DANIELS, PERHAPS EVEN MARLBORO.

50710 2002

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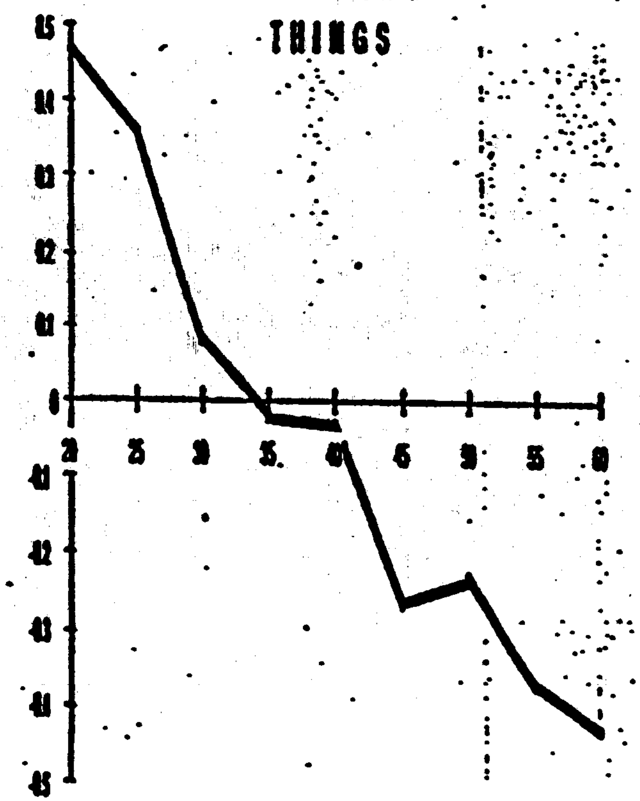
4. <u>EXCITEMENT</u>

● THE GRAPH SAYS YOUNGER ADULT SMOKERS ARE RIGHT WHEN THEY DESCRIBE THE REST OF US AS BEING IN A RUT.



4. EXCITEMENT

FUBYAS	VS.	SWITCHERS
- HAVE FUN IN EVERY WAY POSSIBLE . AT EVERY TIME POSSIBLE		- HAVE FUN SELECTIVELY
• AVOID BOREDOM, RUT, ROUTINE		• SELECT ACTIVITIES OF INTEREST
• BE SPONTANEOUS		• DEVELOP EXPERTISE
• NO FUN - PARENTS		• PURSUE IN ALLOCATED LEISURE TIME

• FUBYAS FUN IS SUCCESS
— ENJOY TODAY/THE MOMENT TO THE LIMIT

50718 2004

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4. EXCITEMENT

- MARKETING RELEVANCE

- FOR TODAY'S FUBYAS, EXCITEMENT IS NOT SIMPLY "A GOOD TIME".

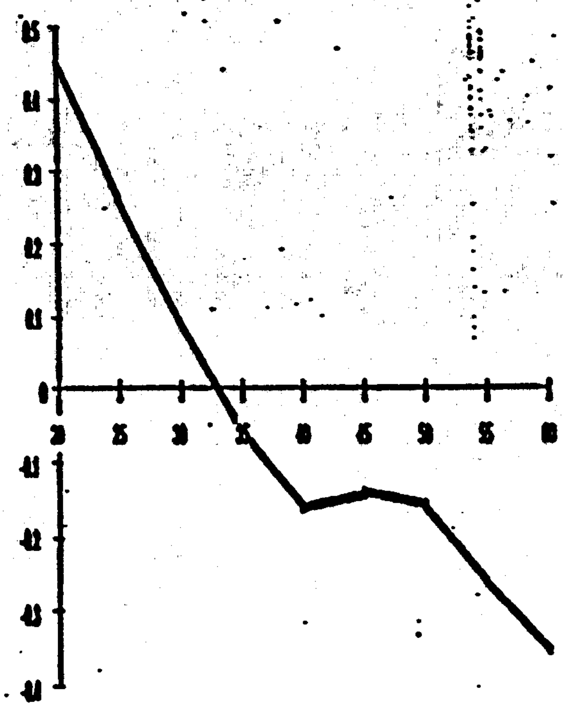
- IT IS LIVING ON THE EDGE/THE LIMIT ... OR, AT LEAST, IMAGINING SO.

4. <u>EXCITEMENT = "THE EDGE"</u>

- "THE EDGE" <u>DIFFERENTIATES</u> THIS GROUP ...

  - THEY LIKE TO BE SEEN AS RISK TAKERS ...

TAKE RISKS



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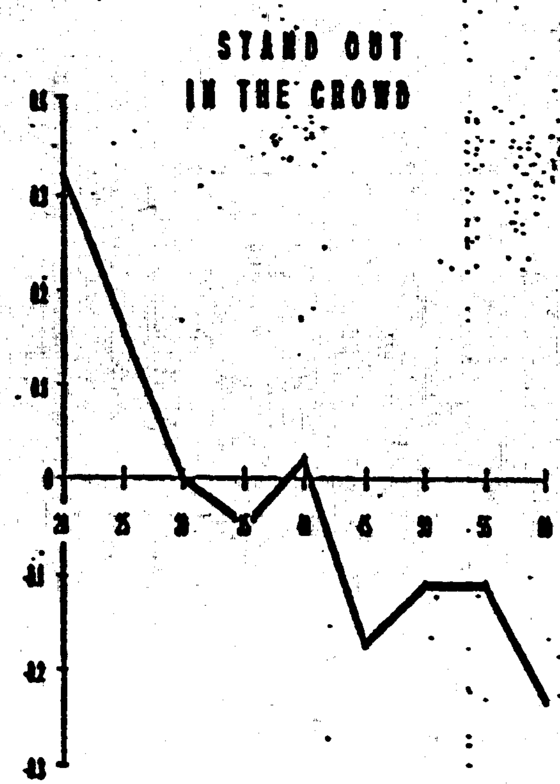
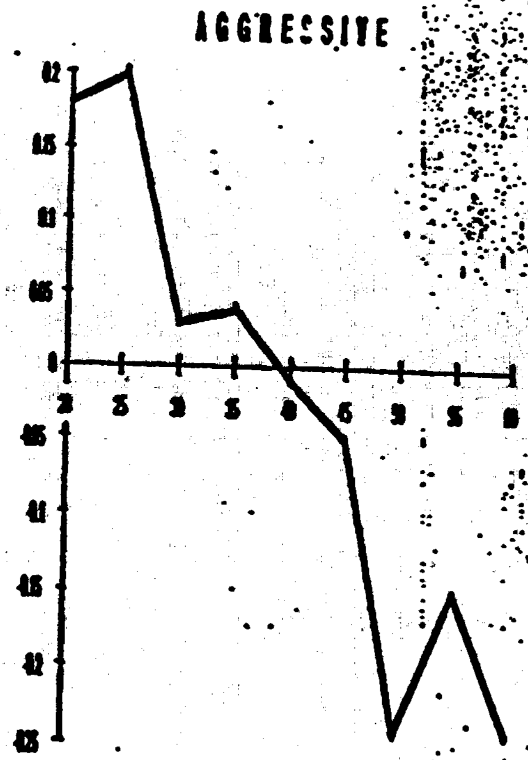
4. EXCITEMENT - "THE EDGE"

- AS ONE WHO STANDS OUT IN A CROWD ...



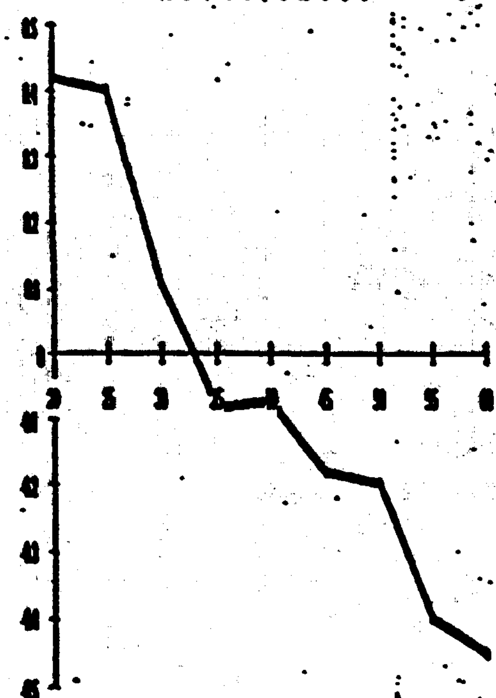
4. **EXCITEMENT - "THE EDGE"**

- AGGRESSIVE ...



4. EXCITEMENT - "THE EDGE"

- AND, ADVENTUROUS.



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50718 2008

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4. EXCITEMENT - "THE EDGE"

- "THE EDGE" REPRESENTS TAKING IT TO THE LIMIT. EXCITEMENT COMES FROM PUSHING AN IDEA TO THE EDGE.

- "THE EDGE" IS NOT LIMITED TO A MACHO/PHYSICAL DANGER CONTEXT -- IT'S AN IMAGE, AN IDEA, AND CAN APPLY TO CLOTHES, SEX, DRUGS, LANGUAGE, CARS, ANY WAY YOU CAN "TAKE IT TO THE LIMIT" IN YOUR MIND.

5. SEX

LAST -- BUT SURELY NOT LEAST.

EURYAS	VS.	SWITCHERS
• LOTS OF DATES		• CLOSER RELATIONSHIPS
- LINKS TO SUCCESS NEED		
• ANYTHING GOES		
- LINKS TO EXCITEMENT NEED		

scoring

50718 2011

51721 7952

5. SEX

- MARKETING RELEVANCE

SMOKERS AND YAS CLEARLY HAVE MORE LIBERAL ATTITUDES TOWARD SEX.

	% AGREE	INDEX
TOTAL POPULATION	20.6	100
SMOKERS	25.4	123
YAS	35.1	171

SOURCE: YANKELOVICH 1979-87

5. SEX

- A MARKETER CAN SELECT AMONG 3 ALTERNATIVES TO APPLY THIS LEARNING:
  - SEX AS THE TOTAL MARKETING EFFORT. (JOVAN/CALVIN KLEIN)
  - USE SELECTED ELEMENTS OF THE MARKETING MIX TO TARGET THE SEX THEME TO FUBYAS ONLY. (T-SHIRT LINES)
  - USE THE LEARNING DEFENSIVELY, I.E., EXECUTE OTHER RELEVANT MARKETING EFFORTS THAT DON'T APPEAR OUT-OF-SYNC WITH FUBYAS VIEWPOINT.

SQUEAKY CLEAN LOOKS GOOD TO US, BUT IT IS LIKELY TO BE SEEN BY THEM AS NOT SPEAKING TO THEM, NOT UNDERSTANDING, NOT RELEVANT TO THEIR LIFESTYLE.

Broad Guidelines For Understanding/Addressing FUBYAS Needs

- ALL OF THESE KEY NEEDS ARE ENORMOUSLY INTERTWINED.

- OTHER SETS OF NEEDS MAY ALSO BE PERTINENT.

- A FEW CONCISE IDEAS CAN BE CAPTURED FROM THESE NEEDS AND THEIR INTERRELATIONSHIPS TO SERVE AS READY-REFERENCE GUIDELINES:

FOR THE FUBYAS WHAT IS CRITICAL IS:

1. TODAY, NOT TOMORROW
2. STAYING YOUNG/NOT IN THE RUT
3. ON THE EDGE, NOT THE MIDDLE GROUND

SEE THINGS THROUGH THEIR EYES.

50718 2014

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DIFFERENTIATING WITHIN THE FUBYAS GROUP

- FUBYAS ARE NOT ONE HOMOGENEOUS GROUP.
- THIS IS GOOD NEWS, BECAUSE THEREIN LIES DIFFERENTIATION AND OPPORTUNITY.
- THE TYPE OF DIFFERENTIATION THAT FUBYAS THEMSELVES KNOW ARE THEIR SOCIAL GROUPS. THESE FORM A SPECTRUM -- A POTENTIALLY USEFUL MARKETING TOOL.
  - SPECTRUM REFLECTS ATTITUDINAL STANCES OR MINDSETS TOWARD DEALING WITH LIFE/WITH NEEDS
  - FROM VERY CONSERVATIVE TO OUTRAGEOUSLY EXTREME
  - LIFESTYLE CUES AND SYMBOLS ARE ALSO DISTRIBUTED ACROSS THE SOCIAL GROUPS SPECTRUM
    - ACTIVITIES
    - MUSIC
    - DRESS
    - PRODUCT/BRAND SELECTION
- IN NET, THE SOCIAL GROUPS SEEM TO DIFFERENTIATE BETTER THAN DO DEMOGRAPHICS.

- SINCE THE EXACT LABELS YA PLACE ON THIS SPECTRUM CHANGE OVER TIME, AND THE CUES AND SYMBOLS CHANGE RAPIDLY, OUR GOAL IS TO IDENTIFY THE ENDURING <u>MINDSETS</u> BEHIND THE SOCIAL GROUPS.

- USE THE GROUP LABELS NOT AS TARGETS, BUT AS REMINDERS TO HELP EXECUTE RIGHT FOR TODAY.

FURYAS SOCIAL GROUPS SPECTRUM

EXTREME CONFORMITY	TODAY'S SOCIAL GROUPS (BELONGING & BEING DIFFERENT)	UPWARD STRIVING	EXCITEMENT	SEX
	• GOODY GOODIES	"SUCCESS" IS ESTABLISHMENT APPROVAL	DON'T GO NEAR "THE EDGE"	AVOID SEX
	• PREPS • GQ'S		APPRECIATE EDGE, BUT RARELY PARTICIPATE	LIBERAL
- 0 -				
	• ROCKERS		LIVE AT EDGE NOW AND THEN	MORE LIBERAL
EXTREME NONCONFORMITY	• PUNKERS • BURNOUTS	"SUCCESS" IS ESTABLISHMENT OUTRAGE	THE VERY EDGE	MOST LIBERAL

FUBYAS SOCIAL GROUP SPECTRUM

- WITH REGARD TO "SOCIAL GROUP" PARTICIPATION, FUBYAS TEND TO LIVE IN A MOVIE

  -- THEY KNOW THE ROLES

  -- THEY KNOW THE SCRIPT

  -- THEY KNOW THE COSTUMES

  -- THEY KNOW THE PROPS

- WE WANT TO SUPPLY ONE OF THE PROPS -- THEIR BRAND OF CIGARETTES

EMBYAS SOCIAL GROUPS SPECTRUM

EXTREME CONFORMITY

– 0 –

EXTREME NONCONFORMITY

TODAY'S SOCIAL GROUPS	MUSIC	CLOTHES	CARS	DRINKS	OVERALL
• GOODY GOODIES					
• PREPS • GQ's	MUSIC AS BACKGROUND (TOP 40)	THE FASHION LOOK	MERCEDES VOLVO CAMARO	MIXED DRINKS LIGHT BEER HEINEKEN	THE LOOK OF THINGS
• ROCKERS	MUSIC AS A LIFE STATEMENT – IMMERSION – CONCERTS – PERFORMERS SELECTED FOR THEIR IMAGE	ANTI-FASHION TO OUTRAGEOUS – OLD BLACK T-SHIRT	USED CAR – FIXED UP – SOUPED UP VAN PICK UP	JACK DANIELS BUDWEISER'	THE FEEL OF THINGS
• PUNKERS • BURNOUTS		– SPIKES ON CLOTHES & HAIR	JUST WHEELS		

50718 2019

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EURYAS SOCIAL GROUPS SPECTRUM

- HOW THE GROUPS FEEL ABOUT EACH OTHER

  - GROUPS ON CONFORMING END OF SCALE VIEW NONCONFORMING GROUPS WITH DISTASTE.

  - NONCONFORMING GROUPS TEND TO RESENT CONFORMING GROUPS.
    - PHONY
    - THE "HAVE'S" -- DON'T HAVE TO STRUGGLE FOR THINGS

  - ALL GROUPS TEND TO ADMIRE THE MOST NON-CONFORMING GROUPS.
    - NOT WHAT GROUP DOES
    - BUT WHAT BEHAVIOR REPRESENTS:
      - THE "GUTS" TO NOT CONFORM
      - BEING ON "THE EDGE" IN FACT AS WELL AS MIND.

RO7IQ 2021

EUBYAS SOCIAL GROUP SPECTRUM

EXTREME CONFORMITY

- 0 -

EXTREME NON CONFORMITY

TODAY'S SOCIAL GROUPS	INCREASING ORDER SMOKING INCIDENCE	THEY TOLD US...
• GOODY GOODIES		
• PREPS • GG's	LOW	• "PREPS DON'T SMOKE".
• ROCKER	HIGH	• "CIGARETTE TRENDS WOULD START WITH ROCKERS OR PUNKERS"
• PUNKERS		
• BURNOUTS		

60718 2022

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BRAND ATTITUDE

FINDINGS

1. VERY FEW SMOKERS 18-20 SAY THEY ARE AWARE OF CIGARETTE ADVERTISING -- HOW THEY ARE "POSITIONED". BRAND PERCEPTIONS ARE MORE LIKELY TO COME FROM USERS THEY SEE.

2. RESPONDENTS TENDED TO ASSOCIATE BRANDS WITH THEIR GROUP STEREOTYPES AS FOLLOWS:

   - "PREP" BRANDS: V. SLIMS, B&H, VANTAGE.
   - "ROCKER" BRANDS: CAMEL, WINSTON, MARLBORO, AND KOOL.

   OBVIOUSLY, MARLBORO WAS "ACCEPTED" IN ALL GROUPS.

3. THE MOST SENSITIVE POINT IN THEIR EYES IN TERMS OF IMAGERY IS A SENSE OF PRETENDING TO BE MORE THAN YOU ARE -- SOMEWHAT LIKE THE ROCKER'S ATTITUDE TOWARD PREPS.

4. ATTITUDES ABOUT CIGARETTE BRANDS ARE NOT EXTREME IN MOST CASES -- USUALLY THEY ARE NEITHER LOVED NOR HATED. THIS SEEMED TRUE EVEN FOR MARLBORO.

5. CAMEL, WINSTON, AND SALEM EACH HAVE DIFFERENT STRENGTHS AND WEAKNESSES.

- CAMEL -- TENDS TO RECEIVE MORE POSITIVE COMMENTS THAN OUR OTHER BRANDS ALTHOUGH ITS NON-FILTER HERITAGE IS STILL PROMINENT. IT'S STRONG VISUAL IDENTITY MAKES THE BRAND INTERESTING AND LENDS ITSELF TO SPECIAL PROMOTION. PEOPLE NOTICE CAMEL. WHILE ITS NON-FILTER HERITAGE MAY SUGGEST PRODUCT NEGATIVES, IT DOES FORM A SOLID LINK TO AUTHENTICITY AND QUALITY -- ITS ORIGIN IN THE "GOOD OLD DAYS" IS NOT A NEGATIVE.

- WINSTON/SALEM -- IGNORED MORE THAN HATED. THESE BRANDS CARRY THE BAGGAGE OF BEING IN KANSAS CITY FOR SO LONG ... AND THE USER IMAGE ASSOCIATED WITH THIS. THE BRANDS ARE SIMPLY NOT VERY INTERESTING. THESE ARE SEEN AS CLEAR #2 BRANDS WITH PRODUCT NEGATIVES.

6. THE ONLY ATTITUDES THAT SOUNDED STRONG ENOUGH TO BLOCK A BRAND WERE USUALLY EXPRESSED IN PRODUCT TERMS -- "THEY ARE REALLY ROUGH BECAUSE THEY'RE NOT FILTERED", OR "THEY TASTE LIKE STALE MARLBOROS", OR "THEY TASTE LIKE COTTON". THIS MAY MEAN OUR PRODUCT <u>PERCEPTIONS</u> NEED TO BE TURNED AROUND -- AS BUDWEISER'S WERE.

MARKETING/MDD IMPLICATIONS

THE ABSOLUTE BOTTOM LINE IS THE NEED FOR I. COMMITMENT II. IMAGINATIVE STRATEGIES AND EXECUTIONS

I. COMMITMENT

THE FOLLOWING QUOTES WERE TAKEN FROM THE "EXPERT WORKSHOP" IN NEW YORK -- AND EVERYONE IN THE ROOM SMILED AND NODDED.

- TOP MANAGEMENT COMMITMENT

  "WITHOUT HAVING SOLD AUGUST BUSCH ON THE NATURE AND THE RISKS OF YOUNGER ADULT MARKETING, WE COULD NEVER HAVE TURNED AROUND BUDWEISER. YOU JUST CAN'T DO IT WITHOUT THE SUPPORT OF TOP MANAGEMENT."

- MIDDLE MANAGEMENT COMMITMENT

  "THE PROBLEM WHEN YOU HAVE A GOOD IDEA FOR THE YOUNGER ADULT MARKET AND YOU HAVE TO GO UP THE CHANNEL FOR APPROVAL IT GETS WATERED DOWN VERY QUICKLY. EVERYBODY WANTS TO TAKE RISKS AND BE THE ENTREPRENEUR. BUT WHEN THE BRAND MANAGER'S JOB IS ON THE LINE BECAUSE HE'S GOT TO SELL A CAMPAIGN TO AUGUST WHERE YOU'RE GOING TO THROW BEER AT PEOPLE -- HIS PRODUCT, YOU'VE GOT TO KNOW AUGUST BUSCH -- YOU START TO LOSE THAT RISKING ABILITY INSIDE. THE IDEAS GET WATERED DOWN AND THE COMPANY FAILS AT YOUNGER ADULT MARKETING."

● JUNIOR LEVEL COMMITMENT

"ONCE AUGUST BUSCH REALLY SHOWED HE WAS COMMITTED TO YOUNGER ADULT MARKETING, DOORS OPENED UP AND NO ONE WAS AFRAID TO COME UP WITH IDEAS. BEFORE THEN, THE IDEAS WERE THERE BUT PEOPLE WERE AFRAID TO TALK ABOUT THEM. THE IDEAS FOR THIS MARKET OFTEN COME FROM JUNIOR PEOPLE. THEY'RE THE ONES WITH THE ENERGY TO PUT INTO FIELD MARKETING. BUT THEY DON'T HAVE THE CREDIBILITY SO SOMEONE AT A HIGHER LEVEL MUST BELIEVE IN THEM AND GET THE IDEAS TO THE TOP PEOPLE."

WE NEED TO REMEMBER THAT BIG PAY-OFFS MAY TAKE 3 OR 4 YEARS TO ACHIEVE BOTTOM-LINE RESULTS. A SOLID STRATEGY IS NEEDED AS WELL AS THE RESOURCES TO IMPLEMENT IT AND MONITOR ITS PROGRESS. FOR EXAMPLE, THE BUDWEISER PROGRAM HAS GROWN FROM 1 MAN/$1MM TO 18 PEOPLE/$10MM.

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MARKETING/MDD IMPLICATIONS

THERE ARE MAJOR ISSUES/TRENDS THAT MUST BE CONSIDERED IN DETERMINING THE BEST DIRECTIONS. IN SOME CASES, FURTHER RESEARCH IS NEEDED.

1. PREPS DON'T SMOKE -- THE MARKET IS LIKELY TO BECOME INCREASINGLY ORIENTED TO THE VALUES OF NON-COLLEGE SMOKERS, ROCKERS. THE SQUEAKY CLEAN LOOKS WILL BE OUT.

2. IN MARKETING TO YOUNGER ADULT SMOKERS, THE CRITICAL REACTION IS "HEY, THEY'RE TALKING TO ME." THIS SUGGESTS THAT VIABLE POSITIONINGS AND EXECUTIONAL THEMES MUST MORE THAN JUST "APPEAL" TO YAS, THEY MUST APPEAL TO YAS IN A WAY THAT "DIFFERENTIATES" THEM FROM ALL OTHER GROUPS AND DIFFERENTIATES OUR BRAND FROM ALL OTHERS IN A MEANINGFUL WAY.

MARKETING/MDD IMPLICATIONS

3. MARKETING TO YOUNGER ADULT SMOKERS REQUIRES SPECIAL STRATEGIES BUILT ON A SOLID UNDERSTANDING OF THEM AS INDIVIDUALS, GROUP MEMBERS AND BRAND USERS.

- AN UNDERSTANDING OF DEMOGRAPHICS, SEGMENT, OR CATEGORY LOYALTY IS NOT ADEQUATE BECAUSE SMOKER MINDSETS GO BEYOND THESE BOUNDARIES.

- POSITIONING AGAINST "DRIVING MOTIVES" -- BELONGING, DIFFERENCE, UPWARD STRIVING, EXCITEMENT AND SEX -- CAN POSE PROBLEMS, SINCE THESE WANTS FORM A TIGHTLY KNIT BUNDLE TO 18-20 SMOKERS. IF ONE MOTIVE IS SELECTED FOR PRIMARY EMPHASIS IN POSITIONING, CARE MUST BE TAKEN NOT TO VIOLATE THE OTHERS.

- THE HEART OF AN EFFECTIVE STRATEGY MAY BE AS MUCH THE MEDIUM AS THE MESSAGE -- FIELD MARKETING, SPECIAL EVENTS, ETC., ARE OPPORTUNITY AREAS THROUGH WHICH WE CAN REACH THIS IMPORTANT DEMOGRAPHIC GROUP.

- AS YOUNGER ADULT SMOKERS BECOME INCREASINGLY NON-COLLEGE AND NON-PREPPY, THE GAP BETWEEN WELL-EDUCATED MARKETERS AND FUBYAS IS LIKELY TO WIDEN. THIS WILL MAKE IT INCREASINGLY IMPORTANT TO STAY "IN TOUCH" AND BE CREATIVE AND IMAGINATIVE IN A RELEVANT WAY.

MARKETING/MDD IMPLICATIONS

4. THERE ARE SEVERAL GENERAL GUIDELINES THAT SHOULD BE CONSIDERED IN ANY EFFORTS TO ADDRESS SMOKERS 18-20.

- PULL STRATEGIES ARE EFFECTIVE, I.E., DRAWING CONSUMERS TO THE BRAND AND AVOIDING THE HARD SELL.

  AVOID GIVING AN IMPRESSION OF TRYING TOO HARD.

- MARKETING EFFORTS THAT ARE "CLOSE TO THE EDGE" APPEAR TO OFFER THE GREATEST POTENTIAL. CARE MUST BE TAKEN TO AVOID CHASING A TREND THAT HAS ALREADY HAPPENED.

- EXECUTIONS SHOULD HAVE INTERNAL INTEGRITY IN TERMS OF PREPPY VS. ROCKER LOOKS AND ACTIVITIES.

- THE MARKETING SHOULD FIT . . .
  1. TODAY, NOT TOMORROW
  2. STAYING YOUNG/NOT IN THE RUT
  3. ON THE EDGE, NOT THE MIDDLE GROUND

SEE THINGS THROUGH THEIR EYES.

CAMEL ADVERTISING DEVELOPMENT

"WHITE PAPER"

<u>TOPICS</u>

I. Importance of Younger Adult Smokers

II. Why CAMEL Has An Opportunity To Target Younger Adult Smokers

III. Strengths And Weaknesses of CAMEL's In-Market Perceptions and Current Advertising

IV. Guidelines for CAMEL's Advertising Development

I. IMPORTANCE OF YOUNGER ADULT SMOKERS

The future success of any cigarette brand is driven by its ability to attract younger adult smokers, between the age of 18 and 24 years old. In fact, smokers aged 18-24 determine the future trends of the tobacco industry.

- Only about 5% of all smokers start smoking after the age of 24 years old.
- The majority of younger adult smokers will stay loyal to their first brand choice.
- More than 40% of the Virile Segment's current total business is a result of brand choices of smokers at age 18.
- The aging of younger adult smokers combined with their brand loyalty guarantees the growth of a brand for decades. Even if a brand falls from grace among younger adult smokers, the increasing consumption rate of the aging franchise can carry the brand's performance for years, thus extending its life cycle. WINSTON's share among younger adult smokers peaked in the mid-60's when Marlboro's repositioning began to take hold among this target, however, WINSTON continued to grow until the late 70's. WINSTON's growth and subsequent decline can be attributed to its performance among younger adult smokers.
- Marlboro, which has 55% of 18-24 year old smokers, and 75% of non-menthol 18-24 year old smokers, grows approximately 1.0 total market share points every year due to gains among younger adult smokers. Although Marlboro sustains yearly net switching losses among total smokers, the substantial yearly gains among younger adult smokers more than offset switching losses and thus ensures continued brand growth. Previous brands including WINSTON and Pall Mall showed the same pattern and ensuing strong share growth until long after they lost appeal among younger adult smokers.

II. WHY CAMEL HAS AN OPPORTUNITY TO TARGET YOUNGER ADULT SMOKERS

CAMEL has an opportunity to capture the younger adult smoker market as evidenced by the high responsiveness that it has already demonstrated in the marketplace among younger adult smokers.

A. CAMEL has maintained a growing share trend in the Pacific/Mountain Sales Area since the late 60's when the filter style was introduced (supported by "I'd Walk A Mile"). The primary factor contributing to the continued momentum of CAMEL in the PMSA is younger adult smokers.

II. WHY CAMEL HAS AN OPPORTUNITY TO TARGET YOUNGER ADULT SMOKERS (Cont.)

- CAMEL Ex. Regular styles have grown from 1.1% share of market in 1970 to 5.6% in 1985 in the Pacific/Mountain. Share growth has been highly accelerated versus CAMEL Ex. Regular total U.S. share.

CAMEL Ex. Regular
MSA -- Total US. Vs PMSA

	1970	1975	1980	1985
Total U.S.	.92	1.07	2.04	2.60
PMSA	1.11	1.72	3.87	5.62

- Smokers 18-34 years old represent more than 60% of the Ex. Regular style's profile in the PMSA. Currently, CAMEL Ex. Regular styles own 11% of total 18-24 year old male smokers there. CAMEL Ex. Regular is, and has been substantially overdeveloped in the PMSA. This is due primarily to strengths among younger adult smokers - particularly 18-24 year old men for as far back as our Share of Smoker tracking goes (1980) and likely before.

B. In the Mid-West Sales Area where CAMEL was previously only average among 18-24 year old males, younger adult smoker targeted promotions for CAMEL resulted in dramatic share growth of more than ten smoker share points among this group.

- Between March 1985 and January 1986, CAMEL executed continuous promotions against younger adult Mid-West Sales Area male smokers. These included:
  - Buy One Get One Free's,
  - A "six pack" offer of CAMEL Buy Three Get Three Free with coupon inserts,
  - A "French CAMEL" T-shirt offer through a toll free number.

- Redemption of the T-shirt offer was nearly three times higher than CAMEL's average participation in FSI coupons. The profile of participants included 70% of adult smokers 34 years old and under and extremely high redemption of 40% among target competitive smokers.

- CAMEL's Midwest share among males, 18-24 years old grew from 3.0% in late 1984, to a peak level of 13.6% in March, 1986 at the completion of these targeted activities. This trend subsequently declined indicating that although CAMEL was able to stimulate a high interest among target smokers, there wasn't sufficient reason for them to convert over the long-term. This would suggest an opportunity to provide a more relevant and motivating targeted image via new advertising.

II. WHY CAMEL HAS AN OPPORTUNITY TO TARGET YOUNGER ADULT SMOKERS (Cont.)

C. In the WINSTON/CAMEL pack action outlet test markets this year, continuous targeted support was placed in younger adult smoker frequented convenience stores/service stations. CAMEL achieved significant share growth and gains from competitive brands, especially Marlboro. In fact, CAMEL's growth was driven by younger adult smokers, and was substantially greater than what WINSTON achieved with the same effort.

- CAMEL's cumulative share gain from August-February, 1987 was +3.23 in convenience stores/serivce stations with younger adult smoker targeted CAMEL support. These gains were at the direct expense of Marlboro which lost almost two share points in the same period.

- Given the same targeted promotion support in separate test areas CAMEL achieved an even greater share increase than WINSTON (+2.85), whose gains were primarily from Brown & Williamson and Lorillard.

- Participation in CAMEL promotion activities skewed highly younger adult smoker (i.e., 60% - 70% 18-34 year olds) while WINSTON was split more evenly between smokers under and over 35 years old.

III. STRENGTHS AND WEAKNESSES OF CAMEL'S IN-MARKET PERCEPTIONS AND CURRENT ADVERTISING

CAMEL's in-market image has many strengths against younger adult smokers. However, current advertising for CAMEL does not overcome the major user image weaknesses driving negative perceptions among the target.

A. CAMEL's current existing market image (i.e., brand perceptions, not advertising perceptions) includes aspects that are highly consistent with the wants of younger adult males, and have a strong fit with what CAMEL has always stood for, including:

- independence
- doesn't follow crowd
- lives by own set of rules
- stands up for beliefs
- not afraid to express individuality
- enjoys being different
- won't settle for ordinary

Perceptions of CAMEL on these specific dimensions are very positive and yet are not in any way extreme. In fact, younger adults' perceptions of CAMEL as independent/individualistic fall short of the ideal wants, which suggests an opportunity to leverage this type of positioning among the target.

III. STRENGTHS AND WEAKNESSES OF CAMEL'S IN-MARKET PERCEPTIONS AND CURRENT ADVERTISING (Cont.)

B. The major weaknesses in CAMEL's in-market image is that it is not considered by younger adult smokers to be contemporary, and thus is not relevant. Negative perceptions include:

- not up-to-date/contemporary
- not exciting to be with
- a lot older than me

C. CAMEL's current advertising has many strengths relative to the desired "independent/individualistic" user image among target smokers. Testing of the current advertising indicated that it communicates the following user characteristics in a positive way:

- Knows how to have a good time
- Free-spirited
- Independent
- Self-confident
- Exciting to be with
- Doesn't follow the crowd
- Lives life to the limit
- Resourceful
- Lives by his own rules
- In control of life

• In an attempt to address CAMEL's weaknesses and the "loner/isolationist" aspects of the original Bob Beck campaign, an alternative campaign "Share A New Adventure" was developed. This campaign used models that were not as old looking and used more relevant situations to address the brand's "older" image weaknesses. Additionally, these models were used to overcome the loner aspects of the former advertising.

• Advertising research of executions similar to CAMEL's current in-market campaign, which provides a more social arena for the CAMEL user, has shown that the CAMEL smoker becomes less of a "loner" than in the previous advertising. "Share A New Adventure" improved perceptions of the CAMEL user as more exciting to be with and more a part of a crowd. However, this campaign pushes CAMEL's user image even <u>older</u> than its in- market image among younger adult smokers. This suggests that although the current advertising is in tune with younger adult smokers' desire to be "individuals" and "accepted by friends", this more "traditional" format is not sufficiently contemporary to reposition CAMEL as a younger adult smoker brand.

IV. GUIDELINES FOR CAMEL'S ADVERTISING DEVELOPMENT TO ACHIEVE ITS DESIRED POSITIONING AMONG YOUNGER ADULT SMOKERS

<u>As background, CAMEL's desired positioning is an effective one to reposition CAMEL among younger adult smokers.</u>

The advertising will position CAMEL as an authentic brand for smokers who are <u>admired</u> and <u>respected</u> by their peers because their attitudes and lifestyles distinguish them as <u>individuals</u> who challenge convention and stand tall.

IV. <u>GUIDELINES FOR CAMEL'S ADVERTISING DEVELOPMENT TO ACHIEVE ITS DESIRED POSITIONING AMONG YOUNGER ADULT SMOKERS</u> (Cont.)

This positioning is appropriate because:

- CAMEL's desired positioning capitalizes on its well-defined in-market image and provides CAMEL with the opportunity to build off its in-market strengths.

- In addition, the "independent/individualist" positioning addresses meaningful and relevant wants among younger adult target smokers. These include:

  - Being different in a positive way,
  - demonstrating success via the respect and admiration of peers.

In order to successfully accomplish this repositioning among younger adult smokers, CAMEL must:

1. <u>Displace Marlboro</u> as brand of choice among younger adult smokers.
2. <u>Positively differentiate</u> versus Marlboro.
3. <u>Correct in-market weaknesses</u>/make a younger adult smoker statement.
4. <u>Elicit an emotional response</u> rather than purely a rational response. An emotional reaction positively motivates the consumer into rethinking CAMEL.
5. <u>Leverage current CAMEL strengths</u>.

1. In order to fully target the younger adult market, CAMEL must displace Marlboro as the younger adult brand. Simply speaking, Marlboro is the younger adult smoker market. It currently has a 25% share among 18-24 year old non-menthol smokers. Any effort against younger adult smokers will naturally have to impact primarily Marlboro.

2. In order for CAMEL to displace Marlboro, the advertising must positively differentiate CAMEL from Marlboro's in-market position as well as its advertising communication. A brand as big and established as Marlboro among younger adult smokers cannot easily be beaten at its own game. While it would be nice if CAMEL could outdo Marlboro at what Marlboro sells, success is more likely through differentiation. <u>Marlboro's key strength relates to peer acceptability and belonging</u>.

   <u>In-Market Position:</u> Marlboro is perceived by younger adult smokers as a brand which provides a sense of belonging to the peer group. A variety of research studies including the Segment Description Study, the Marlboro Vulnerability Analysis, in-market perception research, as well as in-depth qualitative all show this. Focusing CAMEL against peer acceptability and belonging would be trying to outdo Marlboro at its very strength.

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IV. GUIDELINES FOR CAMEL'S ADVERTISING DEVELOPMENT TO ACHIEVE ITS DESIRED POSITIONING AMONG YOUNGER ADULT SMOKERS (Cont.)

Advertising Communication: Marlboro's in-market perceptions are not being driven by its advertising, but are driven more by peers. Research indicates that the message communicated to younger adult smokers by the "Marlboro Country" campaign is nearly identical to the "CAMEL World" campaign. Both campaigns have the same key weaknesses:

- not up-to-date/contemporary
- not emulatable/respected by friends
- not exciting to be with
- not one of my friends
- a lot older than me.

3. To make CAMEL a relevant brand to younger adult smokers, the key image weakness of "too old" must be corrected. As shown by the advertising research for "Share A New Adventure", this cannot be accomplished solely by incorporating less "old" looking models in more "relevant" situations. Exhaustive in-depth qualitative research shows that younger adult smokers see advertising as "younger adult oriented" when it is speaking directly to them.

Correcting this weakness requires something more specific than just being "likeable". Likeability is not enough to motivate switching. "Marlboro Country" and "CAMEL World" are "likeable" campaigns, but do not speak directly to the target.

It does not necessarily require that wants of younger adult smokers which alienate older age groups be used. Research has suggested that while differences in wants do exist, extremes which alienate older smokers will also alienate a portion, or most, younger adult smokers as well.

4. The advertising should elicit an emotional response to positively motivate target smokers to rethink their brand choice. Research indicates that younger adults are entrenched in their daily purchase patterns such that they do not "think" their brand choice. They buy their Marlboro's a pack a day - every day - and never think about the purchase. For most smokers, the cigarette "decision process" is non-existent or at best superficial. This is particularly true among younger adult smokers who are still driven by peer pressure and are surrounded by Marlboro smokers. On a qualitative note, we have even seen younger adult smokers dumbfounded when asked what brand they would smoke if Marlboro was taken off the market. They had no answer and had never thought about it.

IV. GUIDELINES FOR CAMEL'S ADVERTISING DEVELOPMENT TO ACHIEVE ITS DESIRED POSITIONING AMONG YOUNGER ADULT SMOKERS (Cont.)

In order to stimulate them to think about brand alternatives, the advertising and brand personality must "jolt" the target consumer. Since CAMEL does not have a demonstrably different or unique product (rational) benefit to sell, this jolt needs to be based on an emotional response and is unlikely to be accomplished with advertising which looks conventional or traditional. Studies have shown that the so-called "hot buttons" for younger adults include some of the following themes:

- Escape into imagination: Yankelovich data suggests that escape into imagination provides a differentiating and leverageable way to reach younger adults.

  - The inclination to deal with life by escaping into imagination differentiates the target from older smokers.

  - And, it appears to be particularly leverageable because it is growing.

  - Fantasy to these smokers can mean imagining a place to escape to or an image of yourself that is better than reality.

- Excitement/fun is success: Younger adults center their lives on having fun in every way possible and at every time possible. Their definition of success is "enjoying today" which differentiates them from older smokers. Advertising which incorporates an "exciting", "fun", "humorous" theme provides a way for these smokers to "feel good" about the message, and thus generates a positive and relevant emotional response. Importantly, the most recent Yankelovich Monitor suggests this would not alienate the older age groups.

5. The advertising should build on CAMEL's strengths so that it will be truly ownable by CAMEL:

   - CAMEL's current positioning is based on positive in-market perceptions.
   - CAMEL's unique package graphics continue to provide a large source of interest and appeal to younger adult smokers.
   - CAMEL's authentic brand heritage as a cigarette with full flavored, quality tobacco taste is consistent with the product wants of younger adults.

The guidelines for a younger adult-oriented advertising strategy presented here are not expected to alienate CAMEL's current franchise.

- The brand's older franchise (35 years and older) is dominated by the brand's non-filter style where brand loyalty is extremely high.

- Nearly half of the current Ex. Regular franchise is <u>under</u> 35 years old.

IV. GUIDELINES FOR CAMEL'S ADVERTISING DEVELOPMENT TO ACHIEVE ITS DESIRED POSITIONING AMONG YOUNGER ADULT SMOKERS (Cont.)

- The development of an effective advertising campaign to position CAMEL as a younger adult brand does not require "extreme" propositions, and as such does not automatically imply alienation of older smokers.
- Importantly, alternative campaigns can be tested among both target smokers as well as among CAMEL's currrent franchise, if there is a concern regarding the message communication and the attitudes/ feelings generated by the advertising among both groups.

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YOUNGER ADULT SMOKER OPPORTUNITY

PURPOSE

- REVIEW RJR'S MOST CRITICAL STRATEGIC NEED -- YOUNGER ADULT SMOKERS
- ESTABLISH RJR OPPORTUNITIES FOR NEW TECHNOLOGY-BASED PRODUCTS TARGETED TO YOUNGER ADULT SMOKERS.
- REQUEST R&D COMMITMENT TO DEVELOP PRODUCT TECHNOLOGIES WHICH GENERATE APPEAL AMONG THIS GROUP.

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YOUNGER ADULT SMOKER OPPORTUNITY

I. BACKGROUND

- IMPROVED YOUNGER ADULT DEVELOPMENT IS A KEY CORPORATE PRIORITY (#3):
  - NECESSARY FOR CORE BRAND REVITALIZATION (#1 CORPORATE PRIORITY)
  - LACK OF YOUNGER ADULTS RESPONSIBLE FOR TOTAL COMPANY VOLUME TREND
- MARKETING DEPARTMENT REFOCUSING EFFORTS AGAINST YOUNGER ADULT SMOKERS:
  - MARKETING PROGRAMS CLEARLY TARGETED (CAMEL 75TH, SALEM CAMPAIGN)
  - STRATEGIC MARKETING PLANNING GROUP FORMED TO ADDRESS ISSUES SUCH AS YOUNGER ADULT SMOKERS
- IF ENACTED, ADVERTISING BAN WOULD SEVERELY LIMIT RJR'S ABILITY TO INTRODUCE NEW BRAND OR ATTRACT YOUNGER ADULT SMOKERS.

YOUNGER ADULT SMOKER OPPORTUNITY

I. BACKGROUND

- OBJECTIVE/ACTION PLAN

1. REEVALUATE AND REESTABLISH RJR'S CORPORATE NEEDS AND KEY STRATEGIC VULNERABILITY -- YOUNGER ADULT SMOKERS.
2. FOCUS ALL EXPLORATORIES AGAINST MEETING THIS ONE MAJOR CORPORATE GOAL.
3. REDUCE NUMBER OF EXPLORATORIES AND ENSURE ALL MEET THE FOLLOWING CRITERIA:
   - GENERATE SPECIFIC APPEAL AMONG YOUNGER ADULT SMOKERS
   - DELIVER UNIQUE PRODUCT BENEFIT
   - ADDRESS MAJOR UNMET WANT OR COMPETITIVE VULNERABILITY
   - UTILIZE TECHNOLOGY ALREADY IN INITIAL DEVELOPMENT STAGE - MINIMIZE RESOURCE REQUIREMENT.
4. MAXIMIZE OPPORTUNITY FOR TECHNOLOGY IMPLEMENTATION BY EVALUATING AS CORE BRAND IMPROVEMENT/LINE EXTENSION OR NEW BRAND.

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II. MARKET DYNAMICS

- PM is showing continued growth in SOM.
- RJR holds a stable second place.

	Nielsen SOM			
	1985	1986	1987	1988(March YTD)
PM	33.4	34.8	36.2	37.4
RJR	32.9	33.2	33.6	32.8
B&W	9.7	9.2	8.9	9.0
Lorillard	7.8	7.6	7.4	7.3

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50666 4503

II. MARKET DYNAMICS

- RJR's stable performance is due to its strong share among older adult smokers. However, the company is losing share among younger adult smokers.

- PM gains business each year from younger adult smokers and as they age the company's share of older adults also increases.

	Share of Smokers					
	1985		1986		1987	
	18-24	50+	18-24	50+	18-24	50+
RJR	18.3	37.5	18.5	37.9	16.0	38.7
PM	61.9	20.7	63.0	21.0	66.1	22.3

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II. MARKET DYNAMICS

- On a profile basis, RJR's weakness and PM's strength among younger adults is evident among both males and females.

	Total %	RJR Index	PM Index
18-20			
Male	2	48	162
Female	2	37	191
21-24			
Male	5	55	168
Female	5	54	165
25-34	28	86	125
35-49	30	113	87
50+	28	125	57

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II. MARKET DYNAMICS

- RJR is also underdeveloped among Black younger adult smokers.

  Lorillard is the dominant company among Black younger adult smokers.

	Total %	RJR Index	PM Index	LOR Index
Blacks				
18-24	11.5	52	106	$\boxed{263}$
25-34	31.2	74	108	$\boxed{142}$
35-49	31.9	111	99	62
50+	25.3	$\boxed{139}$	89	22

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II. MARKET DYNAMICS

- Younger adult smokers drive the growth of two major competitors:
  - Marlboro
  - Newport
- These brands are capturing an ever increasing share of younger adult smokers.

	Share of 18-20 Year Old Smokers 1984	1985	1986	1987
Marlboro				
Total	52.2	55.1	57.5	60.6
Male	55.5	58.7	61.6	61.3
Female	48.6	51.3	52.9	59.8
Newport	10.8	12.1	12.8	11.8
Black	51.4	52.7	61.3	57.0
Total RJR	16.4	14.5	14.0	13.5

51721 7988

50668 4507

II. MARKET DYNAMICS

- Younger adult smokers are the key to future growth for any company or brand for several reasons:

  (1) Aging explains 75% of SOM growth.

  (2) Benefits of younger adult smokers compound over time as a result of brand loyalty and the increase in rate per day as smokers age.

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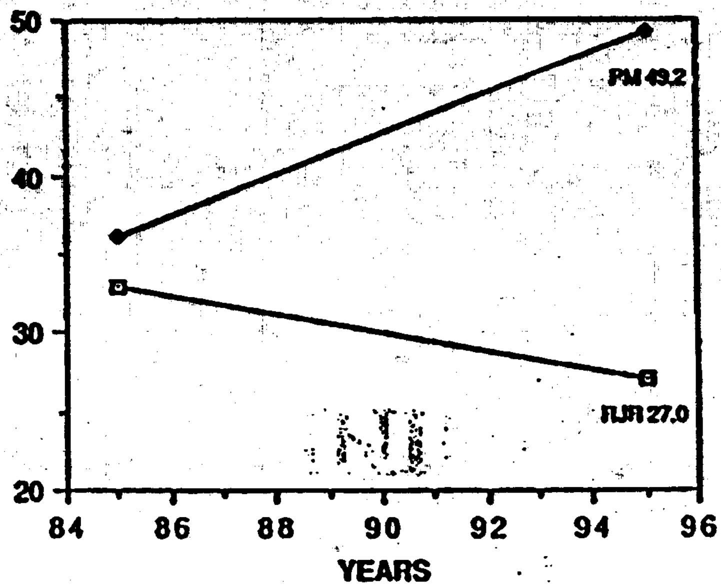
II. MARKET DYNAMICS

- If not reversed, the effects of aging will result in a 22 share point gap between RJR and PM by 1995.

Projected Effect of Aging



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II. MARKET DYNAMICS

Summary

- RJR is deficient among younger adults while PM is strong.
- Younger adult smokers are concentrated in two brands: Marlboro and Newport.
- Younger adults are key to long term growth. If uncorrected, current trends could result in a 22 share point gap between RJR and PM in 1995.

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III. CURRENT ACTIVITY

- Currently RJRT is developing four New Brand/Line Extension Projects:

Project	Benefit
ALPHA	Personal
VRP	Social Acceptability
SRP	Social Acceptability
TF	Social Acceptability/ Smoking Enjoyment

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III. CURRENT ACTIVITY

- SIRS data suggests younger adult smokers are not as likely to be interested in products with Personal or Social Acceptability benefits.

	Index
18-24 year olds	
Interested in less offensive	89
You're more acceptable if you don't smoke	84
People object to others smoking around them	88
Low tars taste as good as high tars	82
Probably switch to LT if more taste/satisfaction	89
T/N is something I really want to cut down on	92

III. CURRENT ACTIVITY

ALPHA

BENEFIT AREA: Personal

- Product test results indicate ALPHA skews older adult.

	Purchasers Index
Male	88
Female	111
25-34	50
35-49	106
50+	137

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III. CURRENT ACTIVITY

VRP/SRP

BENEFIT AREA: Social Acceptability

- Product testing data again suggests older skew

	Concept/Product Acceptors*
Male	76
Female	$\boxed{124}$
18-24	84
25-34	70
35-49	107
50+	$\boxed{179}$

* H prototype from VRP concept/product test

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III. CURRENT ACTIVITY

TF

BENEFIT AREA: Social Acceptability/Smoking Enjoyment

- Product test data suggests that given the dual benefits the product may skew to younger adult female smokers.

Female	Concept/Product Acceptors*
18-20	110
21-24	93
25-34	101

* Original prototype test .8% EVG/6% Spearmint/LSS paper/Std. Filter

51721 7996

50666 4515

III. CURRENT ACTIVITY

SUMMARY

- Younger adults are not as interested in Social Acceptability and Personal benefits as older smokers.
- ALPHA and VRP/SRP Project focus on Personal and Social Acceptability benefit areas, and as a result skew older adult.
- Project TF is the only New Brand to skew toward younger adult smokers and it is being highly focussed on a female target for both product and image wants.

51721 7997

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IV. COMPETITIVE VULNERABILITY

- Despite Marlboro and Newport's strength among younger adult smokers, they each have vulnerabilities.

Marlboro	Newport
Aftertaste	Aftertaste
Aroma	Smoothness
Smoothness	Aroma
Tobacco Taste	

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IV. COMPETITIVE VULNERABILITY

Marlboro

- While overall 18-24 year old Marlboro smokers are satisfied with their product, there are some important wants that are not currently being met.

	Important %	Fulfilled %	Unfulfilled %
No Dry Aftertaste	86	66	$\boxed{20}$
No Lasting Aftertaste	79	62	$\boxed{18}$
Leaves Pleasant Taste	77	53	$\boxed{24}$
Pleasant Aroma	61	39	$\boxed{22}$
Leaves Fresh Taste	59	39	$\boxed{20}$
Lowest Cost	42	22	$\boxed{20}$

IV. COMPETITIVE VULNERABILITY

Marlboro

- Blind product research suggests some vulnerabilities for Marlboro among 18-24 Male smokers.

	Marlboro		Ideal
Aftertaste			
Dry	4.0	⟶	3.1
Fresh	3.5	⟶	4.2
Strong	3.8	⟶	3.3
Lasting	3.7	⟶	3.2
Smoothness	4.3	⟶	4.8
Tobacco Taste	4.3	⟶	4.6

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IV. COMPETITIVE VULNERABILITY

Marlboro

- The ability to address these deficiencies through superior technologies can enable RJR to break Marlboro's hold on these younger adult smokers.

IV. COMPETITIVE VULNERABILITY

Newport

- Newport's key strength is its popularity among younger adult Black smokers. Some key smoker wants are not being met.

	Important %	Fulfilled %	Unfulfilled %
Lot of Menthol	96	77	19
Leaves Fresh Taste	92	75	17
Not Bitter	92	71	21
Leaves Pleasant Taste	92	58	35
No Dry Aftertaste	85	52	33
Not Harsh	83	63	19
Natural Tasting	79	67	12
No Lasting Aftertaste	75	63	12
Pleasant Aroma	73	61	12
Lowest Cost	63	27	37

IV. COMPETITIVE VULNERABILITY

Newport

- Product testing data show the same deficiencies.

	Newport		Ideal
Menthol	4.0	→	5.0
Coolness	3.9	→	4.6
Dry Aftertaste	3.8	→	2.9
Fresh Aftertaste	3.6	→	4.5
Cooling Aftertaste	3.6	→	4.2
Strong Aftertaste	3.8	→	3.2
Smoothness	4.2	→	4.9

51721 8003

50668 4522

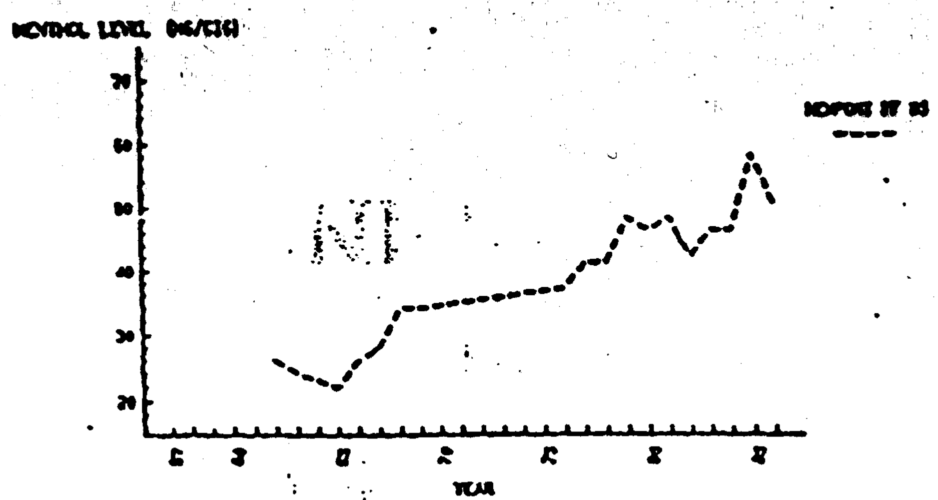
IV. COMPETITIVE VULNERABILITY

Newport

- Both SIRS and product research show that Newport smokers want more menthol. While increasing the level of menthol will appeal to their franchise this may alienate the younger adult smoker.

  Newport initially gained popularity among younger adults by offering a lower level of menthol than other Coolness brands. If the brand continues to increase its menthol delivery this advantage will be lost.

HISTORICAL MENTHOL DELIVERY



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IV. COMPETITIVE VULNERABILITY

Newport

- The key areas of opportunity for a younger adult menthol brand appear to be aftertaste, aroma, smoothness, and the right level of menthol.

51721 8005

50668 4524

IV. COMPETITIVE VULNERABILITY

- In summary, both major younger adult brands have product vulnerabilities which can be addressed:

Marlboro	Newport
Aftertaste	Aftertaste
Smoothness	Aroma
Tobacco Taste	Menthol Delivery
Aroma	

51721 8006

50668 4525

YOUNGER ADULT SMOKER OPPORTUNITY

V. PRODUCT TECHNOLOGY OPPORTUNITIES

ALL TECHNOLOGIES/EXPLORATORIES WILL MEET THE FOLLOWING:

- GENERATE SPECIFIC APPEAL AMONG YOUNGER ADULT SMOKERS.
  - 18-24 MARLBORO SMOKERS
  - 18-24 NEWPORT SMOKERS
- DELIVER UNIQUE PRODUCT BENEFIT.
- ADDRESS MAJOR UNMET WANT OR COMPETITIVE VULNERABILITY.
- IMPLEMENTATION POSSIBLE ON CORE BRAND OR AS NEW BRAND.
- UTILIZE A TECHNOLOGY ALREADY IN INITIAL DEVELOPMENT STAGE.
- INCLUDE SPECIFIC DEVELOPMENT DIRECTION.
- INCLUDE TIMETABLE THROUGH TEST MARKET.

51721 8007

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YOUNGER ADULT SMOKER OPPORTUNITY

V. PRODUCT TECHNOLOGY OPPORTUNITIES

- THREE PRODUCT CONCEPTS ARE RECOMMENDED FOR DEVELOPMENT.
- THE CONCEPTS UTILIZE THREE TECHNOLOGIES.
- ALL CONCEPTS ARE RELIANT ON SUCCESSFUL TECHNOLOGY AND PRODUCT DEVELOPMENT TO ACCURATELY ASSESS CONSUMER APPEAL AND ACTUAL POTENTIAL.

YOUNGER ADULT SMOKER OPPORTUNITY

V. PRODUCT TECHNOLOGY OPPORTUNITIES

A. OPPORTUNITY #1: AFTERTASTE

TARGET: 18-24 MARLBORO SMOKERS

RATIONALE

- HALF OF ALL SMOKERS REPORT AN UNPLEASANT TASTE AFTER SMOKING.
- THREE-QUARTERS (77%) OF 18-24 MARLBORO SMOKERS CITE PLEASANT AFTERTASTE AS A MAJOR WANT.
- ONE-THIRD (24%) OF 18-24 MARLBORO SMOKERS BELIEVE THIS WANT IS UNFULFILLED.

51721 8009

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YOUNGER ADULT SMOKER OPPORTUNITY

V. PRODUCT TECHNOLOGY OPPORTUNITIES

A. OPPORTUNITY #1: AFTERTASTE

APPLICATION

- FREE STANDING NEW BRAND
- WINSTON PRODUCT IMPROVEMENT

BLIND PRODUCT TESTING (21-24 MALES)

	FRESH AFTERTASTE		LONG LASTING AFTERTASTE		DRY AFTERTASTE	
	RATING	IDEAL	RATING	IDEAL	RATING	IDEAL
WINSTON LT 85	3.44 ->	4.21	3.44 ->	2.94	3.74 ->	2.70
MARLBORO LT 85	3.42 ->	4.21	3.34 ->	2.94	3.74 ->	2.70

51721 8010

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YOUNGER ADULT SMOKER OPPORTUNITY

V. PRODUCT TECHNOLOGY OPPORTUNITIES

A. OPPORTUNITY #1: AFTERTASTE

PRODUCT CONCEPT

FRESH CIGARETTE AFTERTASTE

A NEW NON-MENTHOL CIGARETTE HAS BEEN DEVELOPED THAT DELIVERS A FRESH, CLEAN AFTERTASTE WITH NO TRADE-OFF IN SMOKING SATISFACTION.

THIS CIGARETTE DELIVERS A RICH, SMOOTH TOBACCO TASTE AND, UNLIKE OTHER CIGARETTES, LEAVES YOUR MOUTH TASTING FRESH AND CLEAN.

THE FIRST CIGARETTE TO DELIVER RICH TOBACCO TASTE AND A FRESH, CLEAN AFTERTASTE.

AVAILABLE IN FULL FLAVOR AND LOW TAR NON-MENTHOL.

51721 8011

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YOUNGER ADULT SMOKER OPPORTUNITY

PROJECT FAT

NO MORE CIGARETTE AFTERTASTE

A MAJOR TOBACCO COMPANY HAS DEVELOPED THE FIRST NON-MENTHOL CIGARETTE WHICH LETS YOU EXPERIENCE A FRESHER, CLEANER AFTERTASTE. THIS CIGARETTE OFFERS THE RICH, SATISFYING TOBACCO TASTE YOU DEMAND AND LEAVES A FRESH, CLEAN TASTE WITH NO UNPLEASANT AFTERTASTE.

NOW YOU CAN ENJOY A CIGARETTE WHICH LEAVES YOUR MOUTH FEELING FRESH.

51721 8012

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YOUNGER ADULT SMOKER OPPORTUNITY

V. PRODUCT TECHNOLOGY OPPORTUNITIES

A. OPPORTUNITY #1: AFTERTASTE

LEARNING TO DATE

- FAT (FRESH AFTERTASTE) RESEARCH INDICATES THE FRESH AFTERTASTE PROPOSITION GENERATES HIGH APPEAL AMONG 18-24 MALES-MARLBORO.

	PURCHASE INTEREST (18-49 FFLT NN 85/100MM)
MALES	64
18-24	66
TOTAL	68
TF TARGET	73
FEMALES	71

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YOUNGER ADULT SMOKER OPPORTUNITY

V. PRODUCT TECHNOLOGY OPPORTUNITIES

A. OPPORTUNITY #1: AFTERTASTE

LEARNING TO DATE

- FAT PRODUCTS SUCCESSFULLY ADDRESSED KEY AFTERTASTE ATTRIBUTES AMONG TOTAL SMOKERS AND MALES.

	ATTRIBUTE RATINGS			
	CONTROL	SPEARMINT		
TOTAL		3%	6%	9%
FRESH AFTERTASTE	4.00	4.48	4.54	4.51
COOLING AFTERTASTE	2.91	3.65*	4.01	4.23
MALES				
FRESH AFTERTASTE	4.45	4.59*	4.47*	4.32
COOLING AFTERTASTE	3.24*	3.64*	4.26	4.10

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YOUNGER ADULT SMOKER OPPORTUNITY

V. PRODUCT TECHNOLOGY OPPORTUNITIES

A. OPPORTUNITY #1: AFTERTASTE

LEARNING TO DATE

- THE SPEARMINT FLAVOR (DESIGNED FOR TF) NEGATIVELY IMPACTED TOBACCO TASTE AMONG MALES.

	ATTRIBUTE RATINGS AMONG MALES			
	CONTROL	SPEARMINT		
		3%	6%	9%
TOBACCO TASTE	3.29	3.08	2.94	3.25
MENTHOL TASTE	1.27	2.31	3.12	3.45
MINTY TASTE	1.58	2.97	4.09	4.64

51721 8015

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YOUNGER ADULT SMOKER OPPORTUNITY

V. PRODUCT TECHNOLOGY OPPORTUNITIES

A. OPPORTUNITY #1: AFTERTASTE

LEARNING TO DATE

- DESPITE A SIGNIFICANT DEFICIENCY IN TOBACCO TASTE, PURCHASE INTENT REMAINED AT REASONABLE LEVELS AMONG MALES.

	PURCHASE INTENT (AMONG C/A)	
	CONTROL	SPEARMINT (3%)
TOTAL	58	54
MALES	64	$\boxed{49}$

51721 8016

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YOUNGER ADULT SMOKER OPPORTUNITY

V. PRODUCT TECHNOLOGY OPPORTUNITIES

A. OPPORTUNITY #1: AFTERTASTE

CONCLUSIONS

- MARLBORO'S AFTERTASTE IS A VULNERABILITY WHICH CAN BE EXPLOITED.
- FAT LEARNING INDICATES WE CAN POSITIVELY AFFECT THIS ATTRIBUTE -- OFFER NEW BENEFIT.
- IF SUPPORTED WITH YOUNGER ADULT MALE MARKETING, THE CONCEPT AND PRODUCT CAN ATTRACT MARLBORO SMOKERS.
  - WINSTON PRODUCT IMPROVEMENT
  - NEW BRAND

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YOUNGER ADULT SMOKER OPPORTUNITY

V. PRODUCT TECHNOLOGY OPPORTUNITIES

A. OPPORTUNITY #1: AFTERTASTE

TECHNOLOGY/DEVELOPMENT DIRECTION

- TECHNOLOGY: POLYMER PELLET
- TARGET: 18-24 YEAR OLD MALE, NON-MENTHOL MARLBORO SMOKERS

DEVELOPMENT DIRECTION

- IDENTIFY FLAVOR WHICH LEAVES PLEASANT TASTE.
  - MAINTAIN TOBACCO TASTE
  - MAINTAIN SMOOTHNESS
  - ELIMINATE MENTHOL CHARACTERISTICS
  - MINIMIZE MINTY, SWEET TASTE

51721 8018

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YOUNGER ADULT SMOKER OPPORTUNITY

V. PRODUCT TECHNOLOGY OPPORTUNITIES

B. OPPORTUNITY #2: TOBACCO SATISFACTION

TARGET: 18-24 MARLBORO SMOKERS

RATIONALE

- TOBACCO TASTE AND SATISFACTION ARE MAJOR WANTS AMONG VIRILE SMOKERS (82%).
- PRODUCT SCORES INDICATE ALL MAJOR VIRILE BRANDS ARE SIGNIFICANTLY DEFICIENT VERSUS IDEAL.
- CURRENT TECHNOLOGY CAN ALLOW US TO REDEFINE TOBACCO TASTE/SATISFACTION THEREBY OFFERING A NEW BENEFIT.

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YOUNGER ADULT SMOKER OPPORTUNITY

V. PRODUCT TECHNOLOGY OPPORTUNITIES

B. OPPORTUNITY #2: TOBACCO SATISFACTION

APPLICATION

- FREE STANDING NEW BRAND
- WINSTON OR CAMEL PRODUCT IMPROVEMENT

	TOBACCO TASTE		SMOOTHNESS	
	RATING	IDEAL	RATING	IDEAL
WINSTON KING	3.98 ->	4.67	4.29 ->	4.75
CAMEL FILTER	4.18 ->	4.60	4.22 ->	4.83
MARLBORO KING	4.11 ->	4.67	4.30 ->	4.75

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YOUNGER ADULT SMOKER OPPORTUNITY

V. PRODUCT TECHNOLOGY OPPORTUNITIES

B. OPPORTUNITY #2: TOBACCO SATISFACTION

TOBACCO SATISFACTION LIKE NEVER BEFORE

A NEW CIGARETTE HAS BEEN DEVELOPED THAT PROVIDES A BREAKTHROUGH IN SMOOTH, SATISFYING TOBACCO FLAVOR.

THIS CIGARETTE PROVIDES FLAVOR SO SATISFYING YOU CAN ACTUALLY SMELL THE TOBACCO RICHNESS BOTH BEFORE AND DURING SMOKING. IMPORTANTLY, THIS CIGARETTE ALSO DELIVERS THE SMOOTHNESS YOU DEMAND WITHOUT THE HARSHNESS ASSOCIATED WITH OTHER FULL FLAVOR CIGARETTES. THE RESULT IS SMOKING SATISFACTION AT LEVELS NEVER BEFORE AVAILABLE.

THE FIRST CIGARETTE TO OFFER A TOBACCO TASTE SO SMOOTH AND RICH YOU CAN ACTUALLY SMELL IT.

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YOUNGER ADULT SMOKER OPPORTUNITY

PROJECT LF

SATISFACTION BREAKTHROUGH

A NEW CIGARETTE HAS BEEN DEVELOPED THAT PROVIDES A BREAKTHROUGH IN SMOOTH, SATISFYING TASTE.

THESE CIGARETTES ARE WIDER THAN OTHER FILTERED CIGARETTES. THEIR SIZE ALONE GIVES THEM A UNIQUE FEEL. BECAUSE THE CIGARETTES ARE WIDER AND HAVE MORE TOBACCO, THEY DELIVER A RICHER, MORE SATISFYING TASTE. YET THE WIDER FILTER, WITH ITS EASIER DRAW, PROVIDES THE SMOOTHNESS AND MILDNESS YOU DEMAND.

NOW, YOU CAN GET TRUE SATISFACTION FROM THIS NEW WIDER CIGARETTE.

AVAILABLE IN FULL FLAVOR AND LIGHTS.

51721 8022

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YOUNGER ADULT SMOKER OPPORTUNITY

V. PRODUCT TECHNOLOGY OPPORTUNITIES

B. OPPORTUNITY #2: TOBACCO SATISFACTION

LEARNING TO DATE

PROJECT LF CONCEPT SUCCESSFULLY GENERATED PURCHASE INTEREST AMONG 18-24 YEAR OLDS VIA A SMOOTHER TOBACCO TASTE WITH A CIRCUMFERENCE POINT OF DIFFERENCE.

	CONCEPT			
	18-24		TOTAL	
	FF	FFLT	FF	FFLT
PURCHASE INTENT	52	54	48	47

YOUNGER ADULT SMOKER OPPORTUNITY

V. PRODUCT TECHNOLOGY OPPORTUNITIES

B. OPPORTUNITY #2: TOBACCO SATISFACTION

LEARNING TO DATE

LF'S CONCEPT APPEAL WAS DRIVEN BY ITS POINT OF DIFFERENCE (SIZE) AND ITS IMPROVED TASTE PROMISE.

	FF		FFLT	
	18-34 (%)	35+ (%)	18-34 (%)	35+ (%)
MAIN IDEA				
SIZE	41	38	37	35
TASTE	$\boxed{40}$	40	$\boxed{39}$	37

YOUNGER ADULT SMOKER OPPORTUNITY

V. PRODUCT TECHNOLOGY OPPORTUNITIES

B. OPPORTUNITY #2: TOBACCO SATISFACTION

LEARNING TO DATE

CONCEPT ACCEPTORS BELIEVED THE LF BENEFITS COULD BE DELIVERED AND WERE UNIQUE AND IMPORTANT.

	FF		FFLT	
	18-34 (%)	35+ (%)	18-34 (%)	35+ (%)
BELIEVABLE	93	92	96	97
DIFFERENT	84	82	87	84
IMPORTANT	58	62	61	65

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YOUNGER ADULT SMOKER OPPORTUNITY

V. PRODUCT TECHNOLOGY OPPORTUNITIES

B. OPPORTUNITY #2: TOBACCO SATISFACTION

SUMMARY

- LF TESTING INDICATES THAT MARLBORO SMOKERS CAN BE MOTIVATED BY PRODUCTS DELIVERING SMOOTHER, RICHER TOBACCO TASTE.
- THE "TOBACCO SATISFACTION" PRODUCT WILL NOT SIMPLY BE A SMOOTHER CIGARETTE; IT WILL HAVE A DRAMATICALLY IMPROVED TASTE.
  - REDEFINE TOBACCO TASTE
- SMOOTHER, RICHER TOBACCO TASTE CAN BE FURTHER SUPPORTED BY TOBACCO AROMA, BOTH IN THE SMOKE AND FROM THE PACK.
- OTHER MARKETING ELEMENTS CAN ENSURE APPEAL AMONG 18-24 MARLBORO SMOKERS.

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YOUNGER ADULT SMOKER OPPORTUNITY

V. PRODUCT TECHNOLOGY OPPORTUNITIES

B. OPPORTUNITY #2: TOBACCO SATISFACTION

TECHNOLOGIES/DEVELOPMENT DIRECTION

- TOBACCO FLAVOR: POLYMER PELLET
- TOBACCO AROMA: COMPLEXED AROMA PRECURSORS IN PAPER
- PACK AROMA: MICROCAPSULES IN BOX LID (3M)

TARGET:

18-24 YEAR OLD MALE, NON-MENTHOL MARLBORO SMOKERS

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YOUNGER ADULT SMOKER OPPORTUNITY

V. PRODUCT TECHNOLOGY OPPORTUNITIES

B. OPPORTUNITY #2: TOBACCO SATISFACTION

DEVELOPMENT DIRECTION

- TASTE

  DRAMATICALLY ENHANCE TOBACCO/TOBACCO-LIKE FLAVOR

  - TOBACCO EXTRACT

- AROMA

  PROVIDE TOBACCO-LIKE/TOBACCO ENHANCING AROMA PRECURSORS AT LEVELS COMPARABLE TO TF.

- PACK AROMA

  DELIVER CIGARETTE AROMA WHEN BOX IS OPENED.

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YOUNGER ADULT SMOKER OPPORTUNITY

V. PRODUCT TECHNOLOGY OPPORTUNITIES

SUMMARY

- TWO KEY OPPORTUNITIES EXIST TO ATTRACT MARLBORO SMOKERS:
  - EFFECTIVELY DELIVER A KEY UNFULFILLED WANT -- FRESH AFTERTASTE.
  - REDEFINE TOBACCO TASTE AND SMOOTHNESS.
  - LEVERAGE WITH TOBACCO AROMA
- TECHNOLOGIES CURRENTLY EXIST TO SUCCESSFULLY DELIVER AGAINST BOTH CONCEPTS.
  - REFINEMENT NEEDED.
- BOTH PRODUCT CONCEPTS HAVE POTENTIAL APPLICATION AS A NEW BRAND OR PRODUCT IMPROVEMENTS ON WINSTON (AFTERTASTE AND TOBACCO SATISFACTION) OR CAMEL (TOBACCO SATISFACTION).

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YOUNGER ADULT SMOKER OPPORTUNITY

V. PRODUCT TECHNOLOGY OPPORTUNITIES

C. OPPORTUNITY #3: MENTHOL AFTERTASTE AND AROMA

TARGET: 18-24 NEWPORT SMOKERS (BLACK, MALE AND FEMALE SMOKERS)

RATIONALE

- PLEASANT AFTERTASTE IS AN IMPORTANT (92%) AND UNFULFILLED WANT AMONG ONE-THIRD OF 18-24 NEWPORT SMOKERS.

	LEAVES PLEASANT TASTE		
	IMPORTANT	FULFILLED	UNFULFILLED
18-24 NEWPORT	92	58	$\boxed{35}$

- THE AROMA BENEFIT IS OVERDEVELOPED AMONG BLACKS.

	INDEX TO TOTAL
WHITE	98
BLACK	$\boxed{172}$

YOUNGER ADULT SMOKER OPPORTUNITY

V. PRODUCT TECHNOLOGY OPPORTUNITIES

C. OPPORTUNITY #3: MENTHOL AFTERTASTE AND AROMA

APPLICATION

- FREE STANDING NEW BRAND
- SALEM LINE EXTENSION

	AFTERTASTE ATTRIBUTES (18-24 YEAR OLDS)		
	FRESH	COOLING	DRY
SALEM	3.98 ⟶ 4.50	3.95 ⟶ 4.22	3.63 ⟶ 2.92
NEWPORT	3.64 ⟶ 4.50	3.55 ⟶ 4.22	3.84 ⟶ 2.92

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YOUNGER ADULT SMOKER OPPORTUNITY

V. PRODUCT TECHNOLOGY OPPORTUNITIES

C. OPPORTUNITY #3: MENTHOL AFTERTASTE AND AROMA

A FRESHER MENTHOL SMOKING EXPERIENCE

A NEW MENTHOL CIGARETTE HAS BEEN DEVELOPED THAT DELIVERS A FRESHER MENTHOL SMOKING EXPERIENCE FOR YOU AND THOSE AROUND YOU.

THIS CIGARETTE DELIVERS A FRESH AROMA WHILE YOU SMOKE AND A BETTER AFTERTASTE THAN OTHER MENTHOL CIGARETTES. THIS CIGARETTE ALSO PROVIDES THE PERFECT BALANCE BETWEEN MENTHOL FRESHNESS AND TOBACCO TASTE AND SATISFACTION.

NO OTHER CIGARETTE OFFERS A FRESHER MENTHOL SMOKING EXPERIENCE.

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YOUNGER ADULT SMOKER OPPORTUNITY

V. PRODUCT TECHNOLOGY OPPORTUNITIES

C. OPPORTUNITY #3: MENTHOL AFTERTASTE AND AROMA

LEARNING TO DATE

MENTHOL CONCEPT/PRODUCT RESULTS ON YF (FEMALE YOUNGER ADULTS) INDICATE THE PROPOSITION IS EQUALLY APPEALING TO NON-MENTHOL AND MENTHOL SMOKERS.

	PURCHASE INTEREST		
	TOTAL	18-24	25-34
POSITIVE (TOP 2 BOX)			
MENTHOL	73	72	73
(NON-MENTHOL)	(70)	(68)	(72)

YOUNGER ADULT SMOKER OPPORTUNITY

V. PRODUCT TECHNOLOGY OPPORTUNITIES

C. OPPORTUNITY #3: MENTHOL AFTERTASTE AND AROMA

THE TF CONCEPT DESCRIBED A PRODUCT WHICH TARGET SMOKERS EXPECTED TO EXCEED THEIR USUAL BRAND ON ALL KEY CHARACTERISTICS.

	CONCEPT ACCEPTORS		
MUCH/SOMEWHAT BETTER THAN USUAL BRAND ON BASIS OF:	TOTAL (%)	18-24 (%)	25-34 (%)
AROMA	92	91	92
AFTERTASTE	90	89	91
TASTE	84	83	85

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YOUNGER ADULT SMOKER OPPORTUNITY

V. PRODUCT TECHNOLOGY OPPORTUNITIES

C. OPPORTUNITY #3: MENTHOL AFTERTASTE AND AROMA

- TF PRODUCT SCORES INDICATE AN OPPORTUNITY EXISTS TO IMPROVE PERFORMANCE AMONG MENTHOL SMOKERS.
  - REMOVAL OF LSS PAPER
  - DEVELOPMENT PLAN UNDERWAY TO IMPROVE TASTE OF LSS PRODUCTS

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YOUNGER ADULT SMOKER OPPORTUNITY

V. PRODUCT TECHNOLOGY OPPORTUNITIES

C. OPPORTUNITY #3: MENTHOL AFTERTASTE AND AROMA

TECHNOLOGY/DEVELOPMENT DIRECTION

- TECHNOLOGIES
  - AROMA: COMPLEXED AROMA PRECURSORS IN PAPER
  - AFTERTASTE: POLYMER PELLET
- TARGET

  18-24 YEAR OLD, BLACK NEWPORT SMOKERS
- DIRECTION

  IDENTIFY AROMA AND AFTERTASTE FLAVORS/AGENTS WHICH:
  - CONSISTENT WITH/COMPLEMENT MENTHOL
  - SPECIFIC APPEAL AMONG YOUNGER ADULT BLACKS.

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YOUNGER ADULT SMOKER OPPORTUNITY

V. PRODUCT TECHNOLOGY OPPORTUNITIES

D. SUMMARY

THREE PRODUCT CONCEPTS ARE RECOMMENDED FOR DEVELOPMENT:

CONCEPT	PRODUCT BENEFITS	TECHNOLOGIES	TARGET
1. AFTERTASTE	• PLEASANT AFTERTASTE	• POLYMER PELLET	• 18-24 MALE MARLBORO SMOKERS
2. TOBACCO SATISFACTION	• TASTE • AROMA (CIGARETTE AND PACK)	• POLYMER PELLET • AROMA PRECURSORS • MICRO ENCAPSULATION	• 18-24 MALE MARLBORO SMOKERS
3. MENTHOL AFTER-TASTE AND AROMA	• TASTE • AROMA	• POLYMER PELLET • AROMA PRECURSORS	• 18-24 BLACK MALE AND FEMALE NEWPORT SMOKERS

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YOUNGER ADULT SMOKER OPPORTUNITY

V. PRODUCT TECHNOLOGY OPPORTUNITIES

D. SUMMARY

- RJR MUST BEGIN NOW TO CAPTURE YOUNGER ADULT SMOKERS:
  - VOLUME DECLINE INEVITABLE WITHOUT YAS
  - POTENTIAL FOR FUTURE ADVERTISING RESTRICTIONS
- MARKETING DEPARTMENT RESTRUCTURED TO ADDRESS THE ISSUE.
- TO CAPTURE THESE SMOKERS, WE MUST OFFER PRODUCT POINT OF DIFFERENCE PLUS APPEALING IMAGE.
  - EITHER ONE ALONE WILL NOT WORK
- MAGNA SUCCESS OFFERS EVIDENCE THAT IT CAN BE DONE.
  - PARITY PRODUCT AS LESS COST
  - APPEALING, CONTEMPORARY IMAGE

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YOUNGER ADULT SMOKER OPPORTUNITY

V. PRODUCT TECHNOLOGY OPPORTUNITIES

E. NEXT STEPS

ACTIVITY	DUE DATE
• REVIEW WITH R&D; GAIN RESOURCE COMMITMENT	JULY 18
• REFINE TECHNOLOGIES - SCREEN	AUGUST-DECEMBER
• INITIAL CONCEPT/PRODUCT TEST	JANUARY 1, 1989
• FINAL CONCEPT/PRODUCT TEST	JULY 1, 1989
- RE-EVALUATE CONCEPT/PRODUCT APPEAL	
• TOTAL PROPOSITION TEST	JANUARY 1, 1990
- EVALUATE OPPORTUNITIES (NEW BRAND, CORE BRAND IMPROVEMENT)	
• TEST MARKET	4TH QUARTER 1990

RJR CONFIDENTIAL

WEBER
EXHIBIT NO. 94
M. BANTA 6/4/97

July 18, 1980

Mr. N. W. Glover
Mr. G. H. Long
Mr. J. B. Stuart

Re: TEENAGE SMOKERS (14 - 17) AND NEW ADULT SMOKERS AND QUITTERS

The attached report on Teenage Smokers (14 - 17) and New Adult Smokers and Quitters is an update of the first report on the subject issued in January, 1980. The data is a natural by-product of tracking adult smokers. No special effort is made to gather this data, and it is not to be used for marketing strategy purposes.

A summary of key findings is included on the first two pages of the report. Similar reports will be provided semi-annually.

Jerry R. Moore

Jerry R. Moore
Marketing Development Department

JRM:gj

Attachment

cc: Mr. H. J. Lees
Mr. R. C. Nordine
Mr. G. J. Totterdale

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RJM 067375

July 18, 1980

TO: Mr. J. R. Moore

SUBJECT: TEENAGE SMOKERS (14-17) AND NEW ADULT SMOKERS AND QUITTERS

INTRODUCTION

This is the second report relating to teenage smokers and new adult smokers and quitters. The first report, released in January, presented Spring 1979 data; this report updates that to include Fall 1979 data. Similar reports will be provided semi-annually, coinciding with the semi-annual release of National Family Opinion, Inc. (NFO) data.

The data analyzed in this report was obtained from NFO of Toledo, Ohio, which maintains a panel of adult consumers for the purpose of conducting consumer surveys. For the past 15 years RJR has used NFO for product testing and regularly tracking adult smoker profiles and switching information. The data regarding teenagers, new smokers, and quitters is a natural by-product of the tracking of adult smokers. No special effort is made to gather this data and it is not to be used for marketing strategy purposes.

SUMMARY OF KEY FINDINGS

Below is a summary of the key findings based on the analysis of teenage smokers and new adult smokers and quitters.

1. Smoking Among The 14-17 Age Group/Aging

- RJR is continuing to lose share among teenage smokers, with 19.9% of the teenage smokers in Fall 1979 versus 21.3% in Spring 1979. Both WINSTON and SALEM have been steadily losing share among this age group: WINSTON'S share was 7.2% in Fall 1979 versus 8.3% in Spring 1979, while SALEM'S share was 7.9% in Fall 1979 versus 10.6% in Spring 1979. In addition, RJR is losing share points due to aging, which is the natural process of 18 year olds entering the market and 50+ smokers leaving the market. RJR's losses are due to a declining share among 18 year olds coupled with a relatively steady share among 50+ smokers.

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SUMMARY OF KEY FINDINGS (Continued)

1. Smoking Among The 14-17 Age Group/Aging (Continued)

- P. Morris continues to gain share among the 14-17 year old age group, with 62.6% in Fall 1979 versus 58.8% in Spring 1979. Marlboro, which had 52.0% of teenage smokers in Fall 1979, accounts for a large portion of P. Morris' share among teenagers. However, nearly all of their brands experienced share increases among teenagers from Spring to Fall 1979 (B&H, Virginia Slims, Merit, Parliament and Saratoga all gained in share). P. Morris' large share among 18 year olds has made it the only company to realize substantial share gains due to the aging process.

- American, Liggett & Myers and B&W all continue to lose share due to the aging process, primarily because of decreasing shares among 18 year olds, and stable or increasing shares among the 50+ age group. Lorillard nearly breaks even due to the aging process.

2. New Adult Smokers And Quitters

- Males and 18-24 year old smokers are the most active groups in terms of starting and quitting smoking; that is, relative to their share they have the highest starting and quitting rates.

- There is no indication that the ultra low tar category is walking smokers out of the market: relative to share the quit rate among ultra low tar smokers is not significantly greater than the quit rate among either fuller flavor-low tar smokers, or full flavor smokers.

- RJR continues to lose share due to the effect of new smokers and quitters. RJR had an increase in losses in Fall 1979 (-.16 share versus -.04 share in Spring 1979) due to both a decrease in new smokers and an increase in quitters.

- Lorillard and American both lose share due to the effect of new smokers and quitters. Liggett & Myers approximately breaks even, while P. Morris and B&W gain share from the effect of new smokers and quitters.

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A. SMOKING AMONG THE 14-17 AGE GROUP/AGING

Smoking behavior of 14-17 year olds is analyzed in order to improve our ability to forecast future trends. It is not designed to be used as a tool for developing marketing strategies for this population group.

The analysis is divided into two sections:

- Share of each of the six companies and five key brands among the age group.
- Net effect of aging on each of the six company's franchises and five key brand's franchises, and future trends.

The previous report provided a demographic description of 14-17 year old smokers, including population, incidence, rate and volume. Since population estimates are made only on a yearly basis, this table will be provided once a year rather than semi-annually (it will be provided semi-annually if there is a major change in rate per day, which would affect volume figures).

1. Share of Company and Key Brand Among 14-17 Year Old Smokers

Table I illustrates share of companies and key brands among teenagers, and Table II illustrates the percent of industry volume for teenagers among companies and key brands.

TABLE I
SHARE AMONG 14-17 AGE GROUP

	Share Among 14-17		
	1975	Spring 1979	Fall 1979
RJR	29.9	21.3	19.9
WINSTON	12.5	8.3	7.2
SALEM	10.6	10.6	7.9
P. Morris	39.6	58.8	62.6
Marlboro	36.1	51.6	52.0
American	1.2	.3	.8
B&W	22.0	8.8	5.2
Kool	19.8	6.4	4.2
P. Lorillard	7.3	9.7	11.1
Newport	4.3	7.6	8.9
Liggett & Myers	1.3	1.0	.2
Total of 5 Brands	83.3	84.5	80.2

Source: NFO Estimates

TABLE II
14-17 AGE GROUP ESTIMATED PERCENT
OF TOTAL INDUSTRY VOLUME

	% of Total Industry Volume		
	1975	Spring 1979	Fall 1979
RJR	.88	.43	.40
WINSTON	.40	.17	.14
SALEM	.33	.21	.16
P. Morris	1.25	1.18	1.25
Marlboro	1.14	1.03	1.04
American	.04	.01	.02
B&W	.70	.18	.11
Kool	.63	.13	.08
P. Lorillard	.23	.19	.22
Newport	.14	.15	.18
Liggett & Myers	.04	.02	.00
Total % of Industry Volume	3.14	2.00	2.00*

SOURCE: Estimates based on number of teenage smokers, rate per day and share of smokers.

* Because population was assumed to remain the same from Spring to Fall, 1979 and because rate per day did not change during this time, total industry volume among 14-17 year olds was also assumed to remain the same from Spring to Fall. Share for Fall 1979 is provided to illustrate how share has shifted between brands and companies from Spring to Fall.

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Key Findings:

- RJR's share of teenage smokers declined from 21.3% in Spring 1979 to 19.9% in Fall 1979.

  - Winston's share of teenage smokers has declined steadily from 1975 to Spring and Fall 1979, with a share of 7.2% in Fall 1979.

  - Salem's share of teenage smokers remained steady from 1975 to Spring 1979 (10.6%) and then dropped considerably in Fall 1979 (to 7.9%). A fourth reporting period is necessary to determine whether Salem's decline in Fall 1979 indicates a significant trend.

- Philip Morris continues to gain among teenage smokers, accounting for 62.6% of the 14-17 year old market in Fall 1979 versus 58.8% in Spring 1979.

  - Marlboro, which continues to gain share among teenagers, accounts for a large portion of P. Morris' share among this age group. Marlboro's share of teenagers was 52% in Fall 1979.

  - Other P. Morris brands are also increasing in share among teenage smokers. B&H, Virginia Slims, Merit, Saratoga, and Parliament's combined share increased from 6.8% of the teenage smokers in Spring 1979 to 9.2% in Fall 1979. (Because none of the brands individually account for much of the teenage market - 2.8% at most - they are not presented in the table.)

- P. Lorillard is the only company other than P. Morris to be gaining share among the 14-17 year olds. Newport's increasing popularity among this group is the prime contributor to Lorillard's growth in share among the 14-17 year olds. Newport overtook both SALEM and Kool in share of the teenage market in Fall 1979, making Newport the second most popular brand among teenagers, after Marlboro.

- American's share among 14-17 year olds declined from 1975 to Spring 1979, and increased slightly in Fall 1979. The increase is not significant and may not indicate a positive trend for American among this age group. American remains an unimportant factor in the teenage market along with Liggett & Myers, whose share among the teenage market was only 0.2% in Fall 1979.

- B&W's share among 14-17 year olds has been steadily decreasing, primarily due to Kool's decline among the teenage market. In Fall 1979, B&W held only 5.2% of the teenage market versus 22.0% in 1975.

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7. Franchise Aging

Franchise aging is the natural process of young adult smokers (18 year olds) entering the smoking population, and older smokers (50+) leaving the smoking population. This analysis addresses the effect of this process on each of the six companies and five key brands.

TABLE III
SHARE AMONG 18 AND 50+ YEAR OLDS

	Share Among 18			Share Among 50+		
	1975	Spring 1979	Fall 1979	1975	Spring 1979	Fall 1979
RJR	28.0	25.0	23.6	33.3	33.3	32.6
WINSTON	12.8	9.2	8.2	11.2	9.6	9.8
SALEM	10.5	11.4	10.2	8.1	9.3	8.4
P. Morris	44.0	52.0	54.9	15.3	15.7	16.5
Marlboro	34.6	41.2	42.1	5.0	3.8	4.9
American	1.4	.5	.9	17.7	17.9	17.3
B&W	18.0	11.1	9.6	12.5	12.3	12.6
Kool	18.0	8.7	7.9	4.2	3.8	3.9
P. Lorillard	8.0	10.5	10.7	12.3	12.9	14.0
Newport	3.5	9.0	8.0	.6	.3	.3
Liggett & Myers	.6	.7	.3	7.5	6.6	5.9

SOURCE: Share estimates based on NFO data. Share among 18 year olds estimated by trending share among 16-17 to 18-20.

TABLE IV
NET EFFECT OF AGING

	Share Point Change		
	1975	Spring 1979*	Fall 1979*
RJR	-.06	-.10	-.11
WINSTON	.00	-.02	-.03
SALEM	+.04	+.03	+.02
P. Morris	+.40	+.40	+.42
Marlboro	+.40	+.41	+.41
American	-.22	-.19	-.18
B&W	+.06	-.03	-.04
Kool	+.20	+.04	+.03
P. Lorillard	-.03	-.01	-.02
Newport	+.03	+.10	+.08
Liggett & Myers	-.06	-.06	-.08

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Source: Estimates calculated based on rate per day and share of smokers.

* Spring and Fall 1979 share points are annualized; that is, they represent the share gains/losses that would be realized for an entire year based on the NFO data for the reporting period.

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Key Findings and Trends:

- RJR lost .11 share points in Fall 1979 due to aging, versus a loss of .10 in Spring 1979.

  - RJR's increasing losses are due to a declining share among 18 year olds coupled with a relatively stable share among 50+ smokers.

  - Some of RJR's losses are due to Winston, which is losing share among 18 year olds, and to Salem, which is experiencing decreases in its net gains due to aging.

  - There are no indications that these trends will level off in the near future.

- Of the six companies, Philip Morris is the only one which realizes substantial gains from aging. Philip Morris gained .40 share in Spring 1979 and .42 share in Fall 1979 due to the aging process.

  - Much of Philip Morris' gains came from Marlboro, although it appears that Marlboro's share among 18 year olds is beginning to stabilize, with only a .9% increase in share from Spring to Fall 1979.

  - The growth of other Philip Morris brands among 18 year olds will allow Philip Morris to continue to gain from the aging process even if Marlboro stablizes (total Philip Morris' share of 18 year olds increased by 2.9% from Spring to Fall 1979, versus Marlboro's increase of only .9%).

- Lorillard nearly breaks even in terms of the aging process. In Fall 1979 it lost .02 share points due to aging, and lost .01 share points in Spring 1979. While Lorillard is gaining share among 18 year olds, it is also gaining share among the 50+ age group, thus causing the effects of aging to wash out. Newport has a positive effect on Lorillard in terms of aging (it gained .08 share points in Fall 1979), but it is neutralized by losses from other Lorillard brands.

- American and Liggett & Myers are both losing share points due to the aging process, although their rates of loss appear to have stablized.

  - American has the largest loss of any company (.18 in Fall 1979), which is traced to its very low share among 18 year olds coupled with its high share among the 50+ age group.

  - Liggett also has a very low share among 18 year olds, but its losses (.08 in Fall 1979) are somewhat offset by a low share among the 50+ age group.

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Key Findings and Trends: (Continued)

- B&W, while gaining share in 1975 (.06) due to aging, is now losing share due to aging, with a loss of .03 in Spring 1979 and .04 in Fall 1979. The losses are partially due to a steady decline in Kool's share among 18 year olds, coupled with B&W's stable share among the 50+ age group. It appears that B&W will continue to lose share due to the aging process.

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B. NEW ADULT SMOKERS AND QUITTERS

The purpose of this analysis is to identify trends among new smokers and quitters, and to estimate their impact on company and key brands' share. It is not designed to be used as a tool for developing marketing strategies for these population segments.

The analysis is divided into three sections:

- New smokers and quitters by demographics.
- New smokers and quitters by categories.
- Estimated impact of new smokers and quitters on RJR and competitive companies share.

The previous report included a summary table on the number of new smokers and quitters and their effect on total industry volume. Because there are no data available to suggest new smoking and quitting rates changed from Spring to Fall 1979, this table has been omitted. This table will be provided on a yearly basis rather than twice a year.

NOTE: NFO defines a smoker as a person who has smoked cigarettes in the past seven days. The number of new smokers and quitters tend to be over estimated since this definition includes smokers who "start" and "quit" several times a year. However, the share of new smokers and quitters across demographic groups and companies is believed to be unbiased. As a result, NFO figures were combined with HEW estimates of the total new smokers and quitters to calculate the effect on company share.

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1. New Smokers and Quitters by Demographics

TABLE V

PERCENTAGE OF NEW SMOKERS AND QUITTERS BY DEMOGRAPHICS AND THEIR INDEX RELATIVE TO THEIR SHARE

	% Of New Smokers			% Of Quitters			Index of New Smokers*			Index of Quitters*		
	1976	Spring 1979	Fall 1979	1976	Spring 1979	Fall 1979	1976	Spring 1979	Fall 1979	1976	Spring 1979	Fall 1979
e [illegible]	58.6	56.7	55.5	57.8	56.6	56.5	108	110	108	110	110	109
ale	43.2	43.3	44.5	42.2	43.4	43.5	91	89	92	89	89	90
24 [illegible]	18.4	20.0	21.0	15.4	12.9	13.8	182	190	188	152	123	123
34 [illegible]	27.0	27.8	[illegible]	28.8	26.6	26.3	101	118	84	107	113	96
19 [illegible]	26.2	25.3	[illegible]	24.6	26.9	26.6	87	82	75	82	88	87
[illegible]	28.4	26.9	[illegible]	31.2	33.6	33.3	86	76	107	95	95	108

Source: [illegible]FO Estimates

* The indexes represent the percentage of New (Quit) smokers in the demographic break relative to the percentage of total smokers in the demographic break.

Key Findings

- Males are more active than females in terms of both quitters and smokers, relative to what would be expected based on their share. In addition, while male's share of the smoking market has been steadily declining, their percentage of quitters and new smokers has declined proportionately, still leaving them more active than females in terms of quitters and new smokers.

- The 18-24 year olds are more active than any other age group in terms of both quitters and new smokers, relative to what would be expected based on their share. Their percentage of quitters did drop in both Spring and Fall 1979 versus 1976, but relative to share quitting still remained higher than any other age group.

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Key Findings (Continued)

- The 25 and over age groups are relatively similar in their quitting and new smoking activities. While there are some fluctuations between 1976, Spring 1979 and Fall 1979, the fluctuations are not consistent enough to indicate any clear trends in quitters or new smokers among the various age groups.

2. New Smokers and Quitters by Categories

TABLE VI

PERCENTAGE OF NEW SMOKERS AND QUITTERS BY CATEGORIES AND THEIR INDEX RELATIVE TO THEIR SHARE

	% Of New Smokers		% Of Quitters		Index Of New Smokers*		Index Of Quitters*	
	Spring 1979	Fall 1979	Spring 1979	Fall 1979	Spring 1979	Fall 1979	Spring 1979	Fall 1979
-FILTER	7.4	7.0	6.3	7.0	73	81	62	81
-MENTHOL								
l Flavor	31.2	26.1	33.1	32.4	100	88	106	109
Tar	30.6	31.9	30.5	31.9	104	98	104	98
ller Flavor Low Tar	24.4	25.8	24.3	24.9	106	102	105	98
ltra Low Tar	6.2	6.1	6.2	7.0	100	85	100	97
HOL								
l Flavor	15.6	16.2	15.9	13.4	93	117	95	97
Tar	15.2	18.8	14.2	15.2	122	121	114	98
ller Flavor Low Tar	12.0	15.1	11.0	12.3	120	120	110	98
tra Low Tar	3.2	3.7	3.2	2.9	128	128	128	100

Source: NFO Estimates

* The indexes represent the percentage of New (Quit) smokers in the category relative to the percentage of total smokers in the category.

Key Findings:

- There is no indication as of yet that the ultra low tar category is walking smokers out of the market: relative to their share, ultra low tar smokers are no more likely to quit smoking than are fuller flavor low tar smokers or full flavor smokers. However, the low tar category, particularly menthol, obtains more

Key Findings: (Continued)

than its share of new smokers. This may somewhat reflect the phenomenon of smokers starting and quitting several times a year. New smokers and quitters by category will continue to be tracked in the future in order to gain a better understanding of the effect the ultra low tar category has on new smokers and quitters.

3. Share of New Adult Smokers and Quitters Among Companies and Key Brands, and Effect on Share

The first table presents the share of new smokers and quitters by company and key brands, and the second table presents estimates of the net impact of new smokers and quitters on company share of market.

TABLE VII

SHARE OF NEW ADULT SMOKERS AND QUITTERS AMONG COMPANIES AND KEY BRANDS

	Share of New Smokers			Share of Quitters		
	1976	Spring 1979	Fall 1979	1976	Spring 1979	Fall 1979
RJR	36.0	34.8	34.5	35.5	34.7	36.5
WINSTON	13.0	11.9	13.3	13.5	13.3	10.7
SALEM	10.0	11.4	10.1	11.3	10.5	12.5
P. Morris	25.1	26.2	36.7	23.2	26.4	27.6
Marlboro	13.9	14.2	20.8	13.1	13.2	15.8
American	11.6	9.6	7.5	12.0	11.4	9.6
B & W	13.4	13.0	8.4	14.3	11.9	9.8
Kool	8.2	6.5	5.7	7.6	5.9	5.4
Lorillard	10.3	13.0	11.5	10.5	12.7	14.3
Newport	1.0	1.6	1.8	1.2	1.1	1.7
Liggett & Myers	3.1	2.9	1.4	4.4	2.7	2.1
Total # New/Quits (Millions)	1.8	2.1	2.1*	3.1	3.4	3.4*

Source: NFO Estimates

* Because no new data was available to suggest otherwise, the number of new/quits was assumed to remain the same from Spring to Fall 1979. Share for Fall 1979 was provided to illustrate how share has shifted between companies and brands from Spring to Fall.

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TABLE VIII

EFFECT OF NEW SMOKERS AND QUITTERS ON SHARE OF MARKET

	1976	Spring 1979	Fall 1979
RJR	-.04	-.04	-.16
P. Morris	+.08	+.05	+.30
American	+.02	-.05	-.01
B & W	+.03	+.12	+.07
Lorillard	-.05	-.09	-.20
Liggett & Myers	-.04	+.02	0

Source: Estimates calculated based on number of New/Quits, rate per day, and share of smokers.

Key Findings:

Company share was not significantly affected by new smokers and quitters in either 1976 or Spring 1979; however, in Fall 1979 there were some major shifts in new smokers and quitters between companies, generating larger gains and larger losses for some companies. Another reporting period is necessary to determine whether the changes are significant and indicate long-term trends for the companies.

- RJR lost .16 share points in Fall 1979, versus a .04 loss in share in both 1976 and Spring 1979. The increase in loss was due to both a decrease in new smokers and an increase in quitters.
- P. Morris gained .30 share points in Fall 1979 (versus .05 in Spring 1979), primarily due to surge of new smokers to Marlboro.
- Lorillard lost .20 share points in Fall 1979 (versus .09 in Spring 1979) due to both a decrease in new smokers and an increase in quitters.
- American, B&W and Liggett & Myers have all been relatively stable in terms of their gains/losses from new smokers and quitters.

If you have any questions, please call.

Kay Duffy
Kay Duffy

cc: Mr. S. R. Perry

INTER-OFFICE CORRESPONDENCE

R.J.Reynolds Tobacco Company
Winston-Salem, N.C. 27102

RJR

July 22, 1980

WEBER
EXHIBIT NO. 95
M. BANTA 6/4/97

TO: Mr. E. A. Horrigan, Jr.

FROM: G. H. Long

SUBJECT: MDD Report on Teenage Smokers (14-17)

Attached is a MDD report covering the aforementioned subject. Last January, a report was issued on this subject that indicated that Philip Morris had a total share of 59 among 14-17 year old smokers, and specifically, Marlboro had a 52 share. This latest report indicates that Philip Morris' corporate share has increased by about 4 points; however, Marlboro remains the same at 52.

Importantly, the report further indicates that RJR continues to gradually decline, and between the spring and fall 1979 periods, RJR's total share declined from 21.3 to 19.9.

Hopefully, our various planned activities that will be implemented this fall will aid in some way in reducing or correcting these trends.

Jerry
G. H. L.

GHL/bb

Attachment

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MARC

March 25, 1982

TO: Jeannie Marshall

FROM: Jack Wolf

SUBJECT: Teenage Smoking-Incidence and Consumption

This is a follow-up to the memo I sent you earlier that dealt with teenage smokers. Dawn August is doing a resource search for existing data pertaining to incidence and consumption among youth age 12-17.

I've taken her findings one step further and attempted to quantify the consumption figures to relate them to the factor you use to reduce the MSA data.

Total Population 12-17*		22,155,000		
Smokers age 12-17 (12.1%)**		2,680,755		

	Adjusted %	# of Smokers	Cigarette Weight	Total Cigarettes
Daily Rate**				
Half a pack or less	73.5	1,970,355	5	9,851,775
One pack	20.8	557,597	20	11,151,940
More than one pack	5.7	152,803	30	4,584,090
Total	100.0%	2,680,755		25,587,805
		x 365 days		9,339,548,825

Total MSA Volume - 1981	626,500,000,000
Volume attributed to youth age 12-17	9,339,548,825
Youth as a % of total	1.491%
Current MSA Adjustment (.9874)	1.160%

NOTE: Sources
* Annual Census Projection - July 1981
** 1979 National National Institute on Drug Abuse

JDW/j

cc: Martha Abbott
Fran Creighton
Janis Robertson
Midge Barnes
✓Linda Mabee

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Marketing And Research Counselors, Inc., Suite 661, Forum VI Mall, Northline Avenue, Greensboro, North Carolina 27408, Telephone 919 855-6700

RJR

July 8, 1983

WEBER
EXHIBIT NO. 102
M. BANTA 6/4/97

Mr. Michael C. Henkel
Data Resources, Inc.
Suite 610 - Gas Light Tower
235 Peachtree Street, N.E.
Atlanta, Georgia 30303

Dear Mike:

This is to confirm our telephone discussion of July 1, in which we agreed:

1. To develop AGEMIX based on age groupings which are more consistent with government reports on incidence and rate, which provide the initial conditions for AGEMIX. The breaks will be: 12-17, 18-24, 25-34, 35-44, 45-64, and 65+.

2. To develop our AGEMIX baseline using this scenario:

- Incidence and rate for ages 12-17 and 18-24 are assumed to always be identical to the 1965 initial values. Our premise is that if nothing had changed since 1965, people would develop smoking behavior patterns as they did in 1965.

- Since few people start smoking after age 24, we will assume that incidence remains fixed as a group ages past 24. (The falloff in incidence at older ages is presumed to be a function of the negative factors we are seeking to correlate to consumption).

- It appears that smoking rate follows a "life cycle" pattern. By comparing several periods of data, I have attempted to replicate this pattern in the age-specific rates supplied for 1965. We will assume that smokers always adopt rate according to their age.

3. That the initial 1965 values which will drive the AGEMIX scenario are:

	INCIDENCE		RATE PER DAY	
	MALE	FEMALE	MALE	FEMALE
12-17	11.98	6.38	19.0	18.5
18-24	51.3	36.0	25.0	23.1
25-34	60.7	43.8	28.0	24.8
35-44	58.2	43.7	28.0	24.9
45-64	51.9	32.0	28.1	24.3
65+	28.5	9.6	22.8	20.7

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Mr. Michael C. Henkel
July 8, 1982
Page Two

-- In 1965, these initial values would predict consumption of 512,552 million cigarettes (compared to our shipment - based estimate of 512,667. Given our AGEMIX scenario and these I and R inputs, I estimate that our baseline would predict consumption of 692.2 billion in 1981, leaving about 68.4 billion to be explained by other factors.

4. To simplify the AGEMIX equations by using current period population, rate, and incidence wherever possible, rather than a percentage of lagged values. Although the percentage approach tended to offset the errors which we know exist in the population estimates, I agree that it is better to be accurate wherever we can and at least know the likely source of any variances that occur. Using current period population requires population figures by individual years of age, which you have available for all necessary ages except age 64: we will assume that female 64 year-olds comprise 18.7% and males 18.2% of these respective 60-64 year totals, based on the 1965 government estimate.

5. That when your bill arrives, we will hold it until the model is satisfactorily completed.

I am looking forward to our day together on July 12 to go over current progress in detail. I am also holding the 16th open if we need more work session. I believe we were still to work out a date for our management presentation.

Call if I can help.

Diane

Diane S. Burrows
MARKETING DEVELOPMENT DEPARTMENT

DSB/ch

cc: Mr. P. E. Galyan
MDD Library (MDD#82-51303)

RJM 065932

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— COPY —

P. Galyan

EXHIBIT 147

September 20, 1982

TO: Mr. P. E. Galyan

FROM: D. S. Burrows

SUBJECT: ESTIMATED CHANGE IN INDUSTRY TREND FOLLOWING FEDERAL EXCISE TAX INCREASE

Background

In 1981 the National Bureau of Economic Research published two econometric models linking cigarette prices to incidence and rate among specific age/sex groups. One related to adults 20+, the other to teens 12-17.

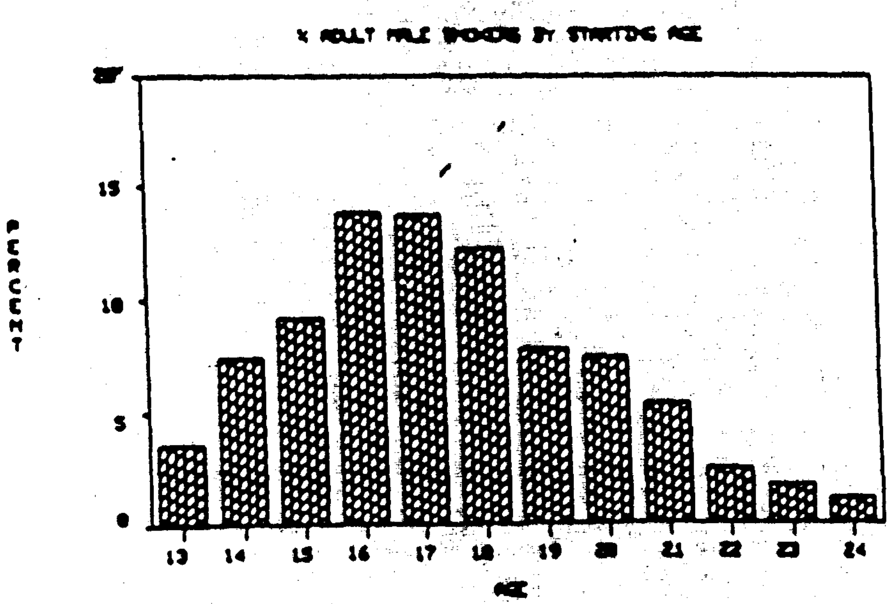
A major implication of these models was that young people are very price sensitive. The models indicate that:

- Incidence among 20-25 year old men has a price elasticity of -1.28. If prices were 10% higher, 20-25 male incidence would drop 12.8%.
- Incidence among 12-17 year olds (male and female) has a price elasticity of -1.19. If prices were 10% higher, 12-17 incidence would be 11.9% lower.

Analysis

While changes in incidence among other groups may "step down" the Industry trend, reduced incidence in this group implies that there will be fewer new smokers entering the market. Since the Industry growth rate depends on new smokers, losses in these groups can change the direction of the Industry trend.

Three HEW studies show that almost all male smokers start before age 25, following a consistent starting age pattern.



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Analysis (Continued)

This pattern implies that if a male is to become an adult smoker, it is probable he will have started by a certain age.

Age	Cumulative % Starting By Age	Probability Of Starting After Age
12	8%	92%
13	12	88
14	19	81
15	29	71
16	42	58
17	56	44
18	68	32
19-20	83	17
21-24	94	6
25+	100	-

Median Starting Age = 16.7 (50:50 Probability)

If a man has never smoked by age 18, the odds are three-to-one he never will. By age 24, the odds are twenty-to-one.

This pattern also yields estimates of incidence and new smokers among young males, based on 18-24 male incidence.

Age	Cumulative % Starting	Index Versus 18-24	Estimated Incidence	New Smokers (% Of Population)
12	8%	9	2.6%	-
13	12	14	3.9	1.3%
14	19	22	6.2	2.3
15	29	33	9.4	3.2
16	42	48	13.6	4.2
17	56	64	18.2	4.6
18	68	78	22.0	3.8
19-20	83	95	26.8	2.4
21-24	94	108	30.5	.9
18-24	87	100	28.2*	1.7

*Tracker Industry Analysis, 1981:4

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Analysis (Continued)

On a trend basis, excluding price effects, we would expect these new smokers to start in 1983. However, based on the National Bureau of Economic Research elasticities and an estimated 15.1% increase in the real price of cigarettes during 1983*, the number will be lower.

Estimating the loss among teenagers of both sexes** and males 20-24 (per the National Bureau of Economic Research price model), we find:

Age	% New Smokers Trend	Price Model	Difference	Thousands Of New Smokers Lost
12	-			
13	1.3%	1.1%	.2%	7.1
14	2.3	1.9	.4	14.2
15	3.2	2.6	.6	21.1
16	4.2	3.4	.8	28.5
17	4.6	3.8	.8	29.4
18	3.8	3.1	.7	27.4
19-20	2.4	1.9	.5	31.4
21-24	.9	.7	.2	16.8
			TOTAL	175.9

*Eight cent Federal Excise Tax increase or equivalent manufacturer increases, average 2¢ per pack state tax increase, and a manufacturer increase of $1/M mid-1983.

**The male incidence/age patterns are reasonable for female teenagers since HEW indicates females 12-17 have slightly higher incidence, but also slightly higher starting ages (median = 17.1 years versus 16.7 for males).

Conclusion

If these new smokers had averaged only ten cigarettes a day, they would have accounted for 605 million cigarettes in 1983 or about .1% of Industry.

Some of these people may later choose to start smoking. However, for those 17-25, the odds are against it. If we estimate that only half of the new smokers 17-25 are permanently lost, the loss to Industry by 1987 would still amount to .1%.

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Conclusion (Continued)

Lost Smokers 17+	Age In 1987	Rate Per Day	Annual Volume	% Of Industry
52.5M	21-29	32.3	619MM	.1%

D. S. Burrows
Marketing Development Department

DSB/gsf

cc: MDIC

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QUESTION

ARE YOUNGER ADULT

SMOKERS IMPORTANT?

IN THE YOUNGER ADULT SMOKER OPPORTUNITY ANALYSIS, WE LEARNED . .

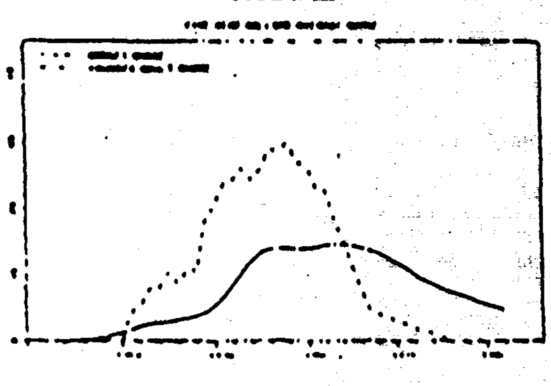
1. THERE ARE 2 DISTINCT CLASSES OF YAS

FUBYAS - THOSE YOUNGER ADULTS WHO ARE ALREADY SMOKERS BUT HAVE REACHED THE STAGE OF CHOOSING A FIRST USUAL BRAND. (FIRST USUAL BRAND YOUNGER ADULT SMOKERS)

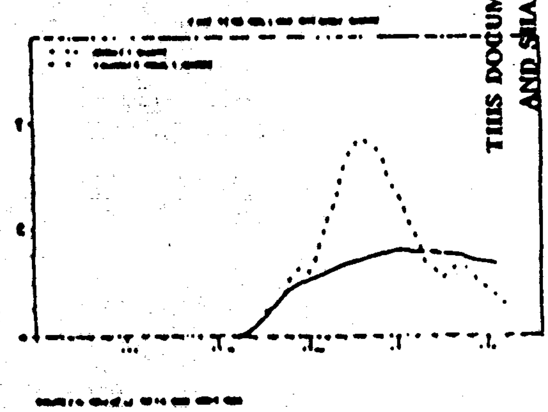
SWITCHERS - YOUNGER ADULT SMOKERS WHO HAVE ALREADY CHOSEN A FIRST USUAL BRAND.

... AND THAT FUBYAS, NOT SWITCHERS, HAVE DRIVEN THE SUCCESS OF THE KEY BRANDS OF THIS CENTURY. THEY ARE LEADING INDICATORS OF GROWTH AND DECLINE.

PALL MALL



WINSTON



2. STRONG PERFORMANCE AMONG FUBYAS SMOKERS IS CRITICAL TO LONG TERM SHARE IN THE TOTAL SMOKER MARKET, FOR BOTH BRANDS AND COMPANIES.

- ALTHOUGH SWITCHING CAN BE IMPORTANT IN THE NEAR-TERM MARKET, LOYALTY AND THUS FUB SMOKERS, ARE THE DRIVING FORCE OVER THE LONG TERM.

- BRANDS/COMPANIES WHICH ARE OVERDEVELOPED AMONG FUBYAS SEEM TO GAIN SOM EFFORTLESSLY YEAR AFTER YEAR, EVEN IF THEY SUFFER DRAMATIC SWITCHING LOSSES (E.G., MARLBORO).

- BRANDS/COMPANIES WHICH ARE UNDERDEVELOPED AMONG FUBYAS MUST CONSTANTLY WORK HARD TO ATTRACT SWITCHERS -- TO MOVE THESE NEARLY IMMOVABLE LOYAL SMOKERS.

QUESTION

ARE YOUNGER ADULT

SMOKERS IMPORTANT

TO RJR?

BEST COPY

YOUNGER ADULT SMOKERS -- FUBYAS -- ARE A KEY CHALLENGE TO RJR BECAUSE

- DESPITE STRONG SWITCHING PERFORMANCE YEAR AFTER YEAR...

NFO NET SWITCHING 18+	1979-81	1982	1983	5 YEAR AVERAGE
RJR	+.35	+.42	+.39	+.40
PM	+.17	+.24	-.43	+.10
GAP	+.18	+.18	+.82	$\boxed{+.30}$

.·. RJR'S TOTAL SMOKER SHARE HAS NOT KEPT PACE WITH PM.

TRACKER 18+	1979	1980	1981	1982	1983	1ST HALF 1984
RJR	32.7	33.3	32.1	32.8	32.7	32.[illegible]
PM	27.8	29.2	31.0	32.3	34.7	34.[illegible]
GAP	+4.9	+4.1	+1.1	+ .5	-2.0	-2.[illegible]

REGENA C. PASTERCZYK

Employment History at
R.J. Reynolds Tobacco Company

1/1984	Marketing Research Analyst
11/1984	Marketing Research Analyst (Now and Vantage)
1/1986	Senior Research Analyst (More and Sterling/New Brand Research)
7/1987	Assistant Marketing Research Manager (Now and More)
7/1988	Marketing Research Manager (Winston and Vantage)
9/1989	Marketing Information Manager (Vantage, More, and Now)
8/1990	Senior Information Manager (Vantage, More, and Now)
8/1991	Senior Information Manager (Camel)
11/1994	Senior Brand Research Manager (Winston)

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PLAINTIFF'S DEPOSITION EXHIBIT 155

Fil... jack book

CONFIDENTIAL

Consumer Research Report

MDD #83-32101 May 8, 1984

TO: Mr. D. W. Grout
Mr. M. L. Orlowsky
Mr. H. J. Lees

FROM: R. C. Pasterczyk

Produced by RJR in MANGINI

KEY TRENDS AMONG TARGET AGE GROUP SMOKERS

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KEY TRENDS AMONG TARGET AGE GROUP SMOKERS
(MDD #83-32101)

MANAGEMENT SUMMARY

PURPOSE AND BACKGROUND

This report summarizes long and short term trends among younger adult (18-24 year old) and established adult (25-34 year old) smokers.

Although the size of population, smoking incidence and share of total smokers for younger adults have been declining, this group will remain important because only 5% of smokers start smoking after age 24. The strength of a brand among younger adults will yield growth in older age groups as these smokers age.

Within the younger and established adult groups, females and Blacks are becoming increasingly important subgroups. The role of females is gaining importance because their share of total adult smokers and consumption is rising. The importance of Blacks is evidenced by their population growth.

CONCLUSIONS

Younger Adults

- RJR's share has been declining among younger adults. CAMEL has been growing among younger adults while WINSTON and SALEM have had losses.
  - CAMEL (ex. NF) has been successful in reaching younger adult males and is growing within this subgroup (from 4% in 1980 to 5% in 1983).
  - WINSTON has been declining both long and short term among younger adults (from 8% in 1979 to [illegible] in 1983).
  - SALEM, [illegible] largest brand among younger adults (8%), has been declining due to weakness among younger adult Blacks.
- Philip Morris and Lorillard are the only growing companies within the 18-24 year old market, and their strength results from the growth of Marlboro and Newport, respectively.
  - Marlboro accounts for 41% of the younger adult smoker market and is dominant among non-Blacks. One-half of males and one-third of females within the younger adult market smoke Marlboro.
  - Newport has grown to become the second leading brand among younger adults (9%) as a result of its dominance among younger adult Blacks (36%). Two-thirds of Newport's growth since 1980 is attributable to its growth among younger adult Blacks.
- Other company findings were:
  - B&W has lost half its share of younger adults since 1979 (from 16% to 8%) due to Kool's losses. Other B&W brands are flat to declining.
  - Both American and L&M are underdeveloped and have little presence in the 18-24 year old market.

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Established Adults

- RJR's growth brand among established adults is CAMEL (ex. NF), which has exhibited both long and short term increases among males (to 5%).

- Philip Morris dominates the established adult smoker market due to Marlboro (25%). B&H and Merit have also contributed to Philip Morris' growth in this group.

- Lorillard has been declining among established adults due to declines on Kent. However, Newport has grown from 2% to 4% between 1979 and 1983. Also, Satin achieved a .8% share among 25-34 year old females in 1983.

- New entries, e.g. Satin, BRIGHT, and B&H Deluxe Ultra Lights, have reached 25-34 year old smokers and may have potential for further growth.

Purchase Patterns

- Among younger and established adults, convenience-oriented shopping behavior is becoming more evident.

  - Convenience stores led all outlets among younger adults (25%) and service stations are also trending up. Both outlets are growing among established adults as well.

  - Pack purchases have been growing since 1981 and dominate the younger adult market (71%). Pack purchases are also growing among established adults (53%).

IMPLICATIONS

- RJR's immediate need is to strengthen its position among younger adults to ensure the company's future development as these smokers age. The key subgroups in the younger adult market that RJR needs to address are females and Blacks.

  - RJR has not yet successfully addressed the wants of younger adult females. CAMEL is performing well among younger adult males, but none of RJR's established brands is challenging Marlboro's dominance of younger adult females. Brands with broad-based appeal to younger adults or brands specifically targeted to younger adult females are needed to ensure RJR's future growth among female smokers.

  - RJR needs to bolster its position among younger adult Blacks. This group is the key to Newport's growth trend, but is a declining group for SALEM. In addition to providing support for SALEM, RJR might consider other alternatives that appeal to younger adult Blacks' overwhelming preference for menthol (89%).

- RJR should continue to pursue a strategy of building strength among 25-34 year old smokers. Although smokers 25-34 are less likely to switch than 18-24 year olds, they are a large smoker group that can provide an opportunity for continuing growth. STERLING may help bolster RJR's position in this age group.

- To reach younger and established adult smokers, RJR should continue to pursue pack-oriented promotions in convenience stores and service stations. Most of RJR's brands would benefit from these activities, including those targeted to 25-34 year old smokers -- WINSTON, VANTAGE and MORE.

KEY TRENDS AMONG

TARGET AGE GROUP SMOKERS

I. Younger Adults (18-24 Year Olds)

A. Background

Because smoking incidence has declined over the last four years and population size has remained flat, the younger adult group now accounts for a smaller proportion of smokers and consumption than it did four years ago. Nevertheless, because younger adult smokers are the only source of replacement smokers, they will continue to be an important smoker segment.

Incidence among younger adult females is dropping at a slower rate than for males. As a result, the proportion of consumption accounted for by females, although dropping, is now approaching that of males (6% versus 7%).

18-24 Year Olds	Total 1980	Total 1983	Male 1980	Male 1983	Female 1980	Female 1983
Population (MM)	30.3	30.1	15.3	15.3	15.0	14.8
Smoking Incidence	33	29	34	29	32	29
Number of Smokers (MM)	9.9	8.7	5.2	4.4	4.8	4.3
% Adult Smokers	18.3	16.6	9.5	8.4	8.8	8.3
% Adult Consumption	15.5	13.8	8.7	7.4	6.8	6.4

B. Company Performance

- RJR is underdeveloped within the 18-24 year old age group, which represents only 11% of RJR's total smokers. The company's share continued to decline among younger adults in 1983, dropping over two share points from the 1982 level (from 23% to 21%). The decline resulted primarily from SALEM's losses among males, females, and Blacks, and WINSTON's losses among males.

- Philip Morris is well developed among younger adults, with 28% of its franchise concentrated in this group. Furthermore, the company's share of younger adults has increased from 54% in 1982 to 58% in 1983. The gain among males within this group was particularly strong -- over six points (from 52% to 58%). The company's strength is attributable to Marlboro's continued growth and the initial success of Players within this group.

- Lorillard is well developed among younger adult smokers, and its share rose 1% in 1983 (to 11%). Significant increases resulted from the strength of Newport among females and Blacks, which more than offset Kent's declines.

B. Company Performance (Continued)

- Brown & Williamson is underdeveloped among younger adults and its downward trend among both males and females continued in 1983. Since 1979, the company has lost half its share among 18-24 year olds, dropping from 16% to 8%. The decline is primarily because of Kool's losses.

- American's decline among younger adults slowed in 1983 as Carlton and Lucky Strike began to stabilize. However, the company is dramatically underdeveloped within this group.

- Liggett & Myers is also severely underdeveloped among 18-24 year olds. The company is trending flat, but showing some vitality due to generics.

[illegible]

	Dev. Index	Total 1979	1980	1981	1982	1983	Long Term Trend	Males 1979	1980	1981	1982	1983	Long Term Trend	Females 1979	1980	1981	1982	1983	Long Term Trend
R. J. Reynolds	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Philip Morris	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
American	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Brown & Williamson	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Liggett & Myers	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Lorillard	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

C. Segment and Brand Performance

1. Virile

The Virile segment continued as the largest (51%) and most well-developed segment among 18-24 year old smokers, and it continued to grow. Strength of the segment is among males (63%), but the segment is also trending up among younger adult females (from 31% in 1979 to 39% 1983).

- Marlboro continued to lead all brands among 18-24 year old smokers (41%) and accounted for the surge within the Virile segment. Marlboro's share among younger adult males increased six share points in 1983, to 49%.

- CAMEL (excluding NF) is well developed and trending up due to its strength among younger adult males (5%).

- WINSTON is underdeveloped among younger adults and experienced a short term decline in 1983 (from 7% to 6%) primarily due to a loss within the male smoker group (from 10% to 7%).

[illegible]

	1983 Dev. Index	Total 1979	1980	1981	1982	1983	Long Term Trend	Males 1979	1980	1981	1982	1983	Long Term Trend	Females 1979	1980	1981	1982	1983	Long Term Trend
Virile	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CAMEL (exc. NF)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CAMEL	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
WINSTON	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Marlboro	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

C. Segment and Brand Performance (Continued)

2. Coolness

The Coolness segment ranks second among 18-24 year old smokers with 24%. The segment is stronger among females (28%), but it is declining among both males and females. The Coolness segment is especially strong among 18-24 year old Black smokers (72%) and is stable.

- Newport is well developed among 18-24 year olds and surpassed both Kool (7%) and SALEM (8%) to become the leading brand in the Coolness segment with 9%. Younger adult females contributed significantly to the rise. The brand's share of this group increased from 8% in 1982 to 10% in 1983.

  Among 18-24 year old Black smokers, Newport increased dramatically in one year from 28% to 36% and is equally preferred by Black males and females within this age group. The brand surpassed Kool (22%) to become the number one brand among younger adult Blacks.

- Kool has average development among younger adults, but its downward slump continued. The brand has lost more than half its share since 1979 (from 14% to 7%). The drop has also been significant among 18-24 year old Blacks (from 35% in 1980 to 22% in 1983).

- SALEM, RJR's largest brand among younger adults, declined from 9% in 1982 to 8% in 1983 due to losses within both male and female smoker groups. Significant declines were also registered among 18-24 year old Blacks, from 19% in 1981 to 14% in 1983. The loss among Black females was most pronounced -- five share points in one year (21% to 16%).

- BRIGHT performed well among 18-24 year old females.

[illegible]

	1983 Dev. Index	Total 1979	Total 1980	Total 1981	Total 1982	Total 1983	Total Long Term Trend	Males 1979	Males 1980	Males 1981	Males 1982	Males 1983	Males Long Term Trend	Females 1979	Females 1980	Females 1981	Females 1982	Females 1983	Females Long Term Trend
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
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C. Segment and Brand Performance (Continued)

3. Stylish

The Stylish segment continued to rise among younger adults (13%). The segment is much stronger among females (21%), but it also increased significantly among males (from 3% to 4%). The segment is strong among younger adult Blacks (17%), particularly Black females (22%), but is showing signs of softness.

- Virginia Slims is well developed and is the largest brand within the younger adult Stylish segment (5%). The brand's strength is among females (11%), but signs of softness were evident in 1983. The brand also experienced softness among younger adult Black females (from 7% in 1982 to 6% in 1983).

- B&H's trend among younger adults flattened in 1983 at 5%. The brand was also flat among 18-24 year old Blacks at 11%.

- MORE is trending up among younger adults; however, it remains underdeveloped. The brand declined among 18-24 year old Blacks and now has less than 1%.

- The younger adult smoker group is Players' stronghold, particularly younger adult males. Over one-quarter (26%) of its franchise is younger adult males.

Players' Profile

	18-24	25-34	35+	Total
Total	36	35	29	100
Males	26	24	13	63
Females	10	11	16	37

- Satin registered a 0.5% share among younger adult females in its first year on the market.

[illegible]

	[illegible]	Total						Males						Females					
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Long Term Trend	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Long Term Trend	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Long Term Trend
Stylish	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
MORE	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B&H	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Va. Slims	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Players	[illegible]	.	.	.	.	[illegible]	.	.	.	.	.	[illegible]	.	.	.	.	.	[illegible]	.
Satin	[illegible]	.	.	.	.	[illegible]	.	.	.	.	.	.	.	.	.	.	.	[illegible]	.

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C. Segment and Brand Performance (Continued)

4. Moderation

The Moderation segment is down among both male and female 18-24 year olds, which is a change from its previously flat trend. The segment is underdeveloped within this demographic group.

- Merit has average development. It is trending flat long term but has eroded recently due to declines among females (from 6% in 1982 to 5% in 1983).

- VANTAGE is underdeveloped and declining among younger adults.

[illegible]

	1983 Dev. Index	Total 1979	1980	1981	1982	1983	Long Term Trend	Males 1979	1980	1981	1982	1983	Long Term Trend	Females 1979	1980	1981	1982	1983	Long Term Trend
Moderation	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Down	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Down	[illegible]	10.1	10.0	[illegible]	[illegible]	Down
Vantage	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Down	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Down	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Flat
Merit	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Flat	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Flat	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Flat

5. Concerned

The Concerned segment is underdeveloped (2.4%) and continuing its downward trend among 18-24 year olds, primarily because of losses among females (from 4% in 1982 to 3% in 1983). All brands within this segment are dramatically underdeveloped and all have less than 1% share.

Barclay is flat, while Kent, Carlton and NOW are declining.

[illegible]

	1983 Dev. Index	Total 1979	1980	1981	1982	1983	Long Term Trend	Males 1979	1980	1981	1982	1983	Long Term Trend	Females 1979	1980	1981	1982	1983	Long Term Trend
Concerned	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Down	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Down	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Down
NOW	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Down	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Down	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Flat
Carlton	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Down	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Down	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Down
Barclay	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Flat	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Down	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Flat
Kent	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Down	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Down	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Down

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C. <u>Segment and Brand Performance</u> (Continued)

6. <u>Savings</u>

The Savings segment is underdeveloped among 18-24 year old smokers.

[illegible]

	1983 Dev. Index	Total 1979	1980	1981	1982	1983	Long Term Trend	Males 1979	1980	1981	1982	1983	Long Term Trend	Females 1979	1980	1981	1982	1983	Long Term Trend
Savings	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

7. <u>Traditional</u>

The Traditional segment continued its history of low development and low share among 18-24 year olds. Although the segment has been flat among males, females registered declines.

[illegible]

	1983 Dev. Index	Total 1979	1980	1981	1982	1983	Long Term Trend	Males 1979	1980	1981	1982	1983	Long Term Trend	Females 1979	1980	1981	1982	1983	Long Term Trend
Traditional	[illegible]	.9	.8	.7	.6	.6	Down	1.1	1.3	.9	.9	.9	Flat	.7	.4	.7	[illegible]	.2	Down

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D. Purchase Patterns

1. Pack/Carton Purchases

- Younger adult smokers remain predominantly pack purchasers, with pack purchases on the upswing since 1981. Pack purchases reached their highest level in 1983.

Pack/Carton Purchases Among

18-24 Year Old Smokers

	1980	1981	1982	1983
Pack/carton ratio	68/39	61/39	70/30	71/29
Pack development index	174	169	184	173

2. Outlet Choices

- Convenience stores and service stations are growing outlets among younger adults. In fact, convenience stores (25%) surpassed supermarkets (20%) in 1983 to become the leading outlet among 18-24 year olds. Service stations (18%) follow in third place.

- Restaurants/bars and liquor stores, although relatively small volume outlets, are extremely well developed among younger adults.

OUTLET SHARES WITHIN

YOUNGER ADULTS

		Total		Males		Females	
	Dev. Index*	1983 Volume	Change	1983 Volume	Change	1983 Volume	Change
Convenience Stores	191	24.7	+4.3	28.9	+6.2	19.6	+1.4
Supermarkets	57	20.5	-3.9	17.5	-1.6	24.1	-5.5
Service Stations	153	17.6	+4.8	17.6	+5.7	17.7	+4.1
Liquor Stores	144	3.6	+ .4	5.9	+2.6	.8	- .5
Restaurants/Bars	161	2.9	-2.7	3.2	-4.1	2.6	-1.5

*Indexed to total outlet share.

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II. Established Adults (25-34 Year Olds)

A. Background

As the heart of the Baby Bubble, 25-34 year olds have been increasing in number. However, because incidence has declined, the number of smokers in this age group has been flat. The proportion of adult consumption accounted for by this group has also been flat.

Incidence among 25-34 year old females has not declined as rapidly as it has among 25-34 year old males. Consequently, females 25-34 account for a slightly greater proportion of consumption than they did four years ago, while males account for about the same proportion.

25-34 Year Olds	Total 1980	Total 1983	Male 1980	Male 1983	Female 1980	Female 1983
Population (MM)	37.6	40.2	18.7	20.1	18.9	20.2
Smoking Incidence	37	34	41	38	32	31
Number of Smokers (MM)	13.8	13.9	7.7	7.6	6.0	6.2
% Adult Smokers	25.4	26.4	14.3	14.5	11.1	11.9
% Adult Consumption	25.1	25.7	15.1	15.0	10.0	10.7

B. Company Performance

- RJR continues to have average development among 25-34 year old smokers. The company's downward trend stabilized in 1983 among both males and females in this age group. Gains for CAMEL, BRIGHT, and NOW within this smoker group offset losses for WINSTON.

- Philip Morris is overdeveloped among 25-34 year old smokers who represent 31% of the company's franchise. This is Philip Morris' largest smoker group. The company is trending up among established adults, with strong results in 1983 among both males and females (42% for both). Contributing to Philip Morris' growth were Marlboro and Players among males and Merit and B&H among females. B&H grew among 25-34 year old females because the Deluxe Ultra Lights style achieved its strongest results within this demographic group (3%).

- B&W is overdeveloped among 25-34 year old smokers (at 13%), but is trending flat due to significant short term losses for Kool among males, females, and Blacks.

- Lorillard's downward trend among established adults has stabilized due to significant short term gains among females. The strength of Newport and introduction of Satin contributed to these gains.

- American is highly underdeveloped among 25-34 year old smokers and declining due to Carlton's losses and the lack of momentum on Lucky Strike.

B. Company Performance (Continued)

- L&M is also underdeveloped among established adults. The company is trending up slightly because of generics.

[illegible]

	1983 Dev. Index	Total 1979	1980	1981	1982	1983	Long Term Trend	Males 1979	1980	1981	1982	1983	Long Term Trend	Females 1979	1980	1981	1982	1983	Long Term Trend
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

C. Segment And Brand Performance

1. Virile

The Virile segment remains the largest segment among established adults (41%) and is trending flat overall. The segment is up among males, but declining among females. Among females, the Virile segment is now in a virtual tie with the Coolness segment.

- Marlboro continues to increase among both males and females and has a 25% share overall.

- WINSTON, RJR's largest brand among established adults, experienced significant short term losses among both male and female smokers. Since 1979, the brand has lost one-third of its share (from 15% to 10%).

- CAMEL (ex. NF) is RJR's most well developed brand within the 25-34 year old group and is growing (4%). The brand's stronghold continues to be with males (5%).

[illegible]

	1983 Dev. Index	Total 1979	1980	1981	1982	1983	Long Term Trend	Males 1979	1980	1981	1982	1983	Long Term Trend	Females 1979	1980	1981	1982	1983	Long Term Trend
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

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C. <u>Segment and Brand Performance</u> (Continued)

2. <u>Coolness</u>

The Coolness segment is the most well developed segment among 25-34 year old smokers. The segment is strong among Blacks (66%), particularly Black males (74%).

- Kool remains the largest brand within this segment (10%) and continues to have the highest development. However, the brand is flat overall and suffered significant short term losses (from 11% to 10%). Among established adult Blacks, Kool declined from 37% in 1982 to 33% in 1983.

- SALEM experienced some vitality among established adult females and remains the second largest brand within this demographic group (12%). However, the brand has remained flat overall with 10%. SALEM's share increased among 25-34 year old Blacks to 19% (from 15% in 1982).

- Newport's upward trend continued among 25-34 year olds, the share having doubled since 1979 (from 2% to 4%). Among established adult Blacks the brand rose significantly relative to 1982 (from 11% to 13%).

- BRIGHT achieved a 0.5% share among 25-34 year old smokers, with stronger performance among females (.7%).

[illegible]

	[illegible]	Total						Males						Females					
	[illegible]	1979	1980	1981	1982	1983	Long Term Trend	1979	1980	1981	1982	1983	Long Term Trend	1979	1980	1981	1982	1983	Long Term Trend
Coolness	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SALEM	[illegible]	[illegible]	10.2	10.0	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	13.1	13.5	[illegible]	11.0	12.3	[illegible]
Kool	[illegible]	10.6	10.2	10.9	11.2	10.1	[illegible]	[illegible]	11.1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	10.0	[illegible]	[illegible]
Newport	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
BRIGHT	[illegible]	-	-	-	-	.5	-	-	-	-	-	[illegible]	-	-	-	-	-	.7	-

3. <u>Stylish</u>

The Stylish segment's upward trend among established adults continued in 1983 (12%). The segment is strongest among females (21%), but is also growing among males (from 3% in 1979 to 5% in 1983).

- B&H is the largest brand within the established adult Stylish segment (6%) and is growing due to gains among females (from 7% in 1982 to 8% in 1983). B&H Deluxe Ultra Lights was the primary reason for this growth (3%). B&H's gain among Black females in this age group was even more pronounced (from 13% to 17%).

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C. Segment and Brand Performance (Continued)

3. Stylish (Continued)

- Among 25-34 year old females, Virginia Slims is trending up over the long term, but has been flat for the last three years. The brand has shown weakness among Black females in the 25-34 age category (down from 9% in 1982 to 7% in 1983).

- MORE is trending up among 25-34 year olds, but registered short term declines among females. MORE's share among Black females declined significantly (from 3% to 2%).

- Players is well developed among established adults and performed better among males than females.

- Satin is well developed among established adults. The brand's strongest showing was among 25-34 year old females (.8%).

[illegible]

	[illegible]	Total						Males						Females					
	[illegible]	1979	1980	1981	1982	1983	Long Term Trend	1979	1980	1981	1982	1983	Long Term Trend	1979	1980	1981	1982	1983	Long Term Trend
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

4. Moderation

The Moderation segment is well developed among established adult smokers and trending flat.

- Merit is well developed among 25-34 year olds and growing (at 7%) due to gains among females.

- VANTAGE has average development and is flat overall at 4%. Among 25-34 year old females, VANTAGE is up; however, it began to exhibit signs of weakness in 1983.

[illegible]

	1983 Dev. Index	Total						Males						Females					
		1979	1980	1981	1982	1983	Long Term Trend	1979	1980	1981	1982	1983	Long Term Trend	1979	1980	1981	1982	1983	Long Term Trend
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

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C. Segment and Brand Performance (Continued)

5. Concerned

The Concerned segment continued to decline among male and female 25-34 year old smokers(7%). The segment is stronger among females (10% vs. 5% for males).

- Kent is the largest Concerned segment brand (2%) among 25-34 year olds, but is trending down. Among established adult Blacks, the brand lost more than three-fourths of its share since 1981 (.3%), primarily resulting from declines among Black females.

- Barclay is the most developed Concerned segment brand among established adults, but it is trending flat.

- Carlton is trending down among 25-34 year olds because of short term losses among both males and females.

- NOW is trending flat, but is showing vitality because of short term gains among 25-34 year old females.

CONCERNED SEGMENT BRAND SHARES AMONG 25-34 YEAR OLD SMOKERS

		Total						Males						Females					
	1983 Dev. Index	1979	1980	1981	1982	1983	Long Term Trend	1979	1980	1981	1982	1983	Long Term Trend	1979	1980	1981	1982	1983	Long Term Trend
Concerned	[illegible]	10.3	9.2	8.8	8.2 ←--	7.2	Down	6.0	6.0	6.0	6.5 ←--	5.3	Down	13.0	12.0	11.4	10.1 ←--	9.9	Down
NOW	07	.8	.8	.9	.9 ---	.9	Flat	.6	.6	.5	.3	.6	Flat	1.1	1.3	1.1	.9 ---	1.0	Flat
Carlton	97	2.0	1.8	1.6	1.5 ←--	1.1	Down	1.6	1.7	1.3	1.0 ←--	.6	Down	2.0	1.6	2.0	2.2 ←--	1.6	Down
Barclay	[illegible]	-	-	1.1	1.0	1.1	Flat	-	-	1.0	1.9	1.3	Flat	-	-	1.2	1.4	1.3	Flat
Kent	[illegible]	4.1	3.3	3.0	2.7	2.0	Down	3.4	2.9	2.3	2.1	2.0	Down	4.9	4.1	3.4	3.5	2.0	Down

6. Savings

The Savings segment is underdeveloped among 25-34 year old smokers (1%). The segment performed slightly better among females in this group but had no presence among established adult Blacks.

- Generics gained relative to 1982, registering stronger performance among females (1% versus .5% for males).

- CENTURY achieved average development among 25-34 year old smokers.

SAVINGS SEGMENT BRAND SHARES AMONG 25-34 YEAR OLD SMOKERS

		Total						Males						Females					
	1983 Dev. Index	1979	1980	1981	1982	1983	Long Term Trend	1979	1980	1981	1982	1983	Long Term Trend	1979	1980	1981	1982	1983	Long Term Trend
Savings	93	-	-	-	-	.8	-	-	-	-	-	.1	-	-	-	-	-	1.1	-
Century	100	-	-	-	-	.1	-	-	-	-	-	.1	-	-	-	-	-	.1	-
Generics	90	-	-	-	.6 ---	.1	-	-	-	-	.3 ---	.1	-	-	-	-	.3 ---	1.0	-

RJR465890

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C. Segment and Brand Performance (Continued)

7. Traditional

The Traditional segment is severely underdeveloped among 25-34 year old smokers and is declining.

[illegible]

	1983 Dev. Index	Total 1979	1980	1981	1982	1983	Long Term Trend	Males 1979	1980	1981	1982	1983	Long Term Trend	Females 1979	1980	1981	1982	1983	Long Term Trend
Traditional	29	3.3	2.7	2.0	1.6	1.4	Down	3.3	3.6	2.6	2.3	2.0	Down	2.2	1.5	1.2	.6	.5	Down

D. Purchase Patterns

1. Pack/Carton Purchases

Established adults' purchase volume is slightly more likely to come from pack than carton purchases.

	Pack/Carton Purchases Among 25-34 Year Old Smokers 1980 %	1981 %	1982 %	1983 %
Pack/carton volume	52/48	47/53	50/50	53/47
Pack development index	133	131	132	129

D. Purchase Patterns (Continued)

2. Outlet Choices

- About 30% of 25-34 year old smoker purchases are made in supermarkets. Convenience stores (17%), service stations (14%), and small groceries (14%) follow.

- Convenience stores and service stations are growing outlets among established adults.

- Liquor stores, restaurants/bars, and newsstand/tobacco shops have above average development among established adult smokes even though these outlets represent relatively low volume.

  - In convenience stores, 25-34 year old females doubled their purchase volume in one year (from 9% in 1982 to 19% in 1983).

  - Service station purchases by 25-34 year old males rose significantly from 11% in 1982 to 15% in 1983.

OUTLET SHARES WITHIN

ESTABLISHED ADULTS

		Total		Males		Females	
	Dev. Index*	1983 Volume	Change	1983 Volume	Change	1983 Volume	Change
Supermarkets	83	29.7	-2.3	29.2	-1.0	30.4	-4.7
Convenience Stores	130	16.8	$\boxed{+2.7}$	15.6	-1.8	18.6	$\boxed{+9.4}$
Service Stations	122	14.0	$\boxed{+2.7}$	15.4	$\boxed{+4.7}$	12.1	- .1
Small Grocery	121	13.7	+1.5	12.5	+1.3	15.5	+1.8
Restaurant/Bar	167	3.0	- .1	4.1	+1.0	1.5	$\boxed{-1.62}$
Liquor Stores	128	2 3.2	+ .3	2 4.0	- .9	2 2.1	- .6
Newsstand/Tobacco Shop	122	2 2.2	- .2	2 1.4	- .8	2 3.3	+ .7

51721 8083

APP.)IX I

Share of Black Smokers

	Total				18-24				25-34			
	1980	1981	1982	1983	1980	1981	1982	1983	1980	1981	1982	1983
RJR	35.3	33.0	32.5	32.3	[illegible]	22.4	22.2	17.5	35.5	27.6	26.8	27.9
P. Morris	16.6	18.3	18.9	20.1	19.8	22.4	20.0	23.0	16.4	15.7	19.3	20.8
American	7.5	6.7	7.1	6.6	1.2	.2	.2	.5	2.4	1.2	2.0	1.3
B & W	29.8	29.5	27.4	[illegible]	[illegible]	[illegible]	[illegible]	22.3	38.9	42.2	38.5	34.3
L & M	1.0	1.3	1.3	[illegible]	[illegible]	[illegible]	[illegible]	-	.4	.4	.4	.5
Lorillard	8.7	9.5	11.3	13.6	19.5	22.8	27.9	36.5	5.7	10.8	12.0	14.6
Coolness	50.2	51.2	49.3	50.4	71.3	72.8	73.0	72.1	61.9	66.3	63.9	66.1
Virile	21.5	19.9	18.7	18.9	6.6	6.8	4.0	8.3	17.8	12.3	10.7	9.4
Stylish	12.0	13.7	16.4	17.0	16.9	17.1	18.5	17.2	12.4	13.6	18.2	17.9
Moderation	4.2	4.1	4.6	4.1	1.4	1.5	2.1	1.3	3.7	2.3	3.4	4.2
Concerned	4.1	3.4	3.8	3.5	1.6	.8	.6	.5	2.2	2.6	2.2	1.5
Traditional	7.1	5.9	5.6	5.5	1.2	-	.4	.3	1.2	.6	.4	.2
Savings	-	-	-	.1	-	-	-	.2	-	-	-	-
Camel(ex NF)	.4	.6	.5	.6	.5	.2	-	.7	.6	.6	-	.1
Camel	2.1	2.3	1.7	1.9	.7	.4	-	.8	.8	1.0	-	.3
Winston	12.3	9.6	10.4	9.9	2.4	1.1	1.3	1.5	10.5	6.2	6.9	5.2
Marlboro	4.7	4.7	3.9	4.5	3.5	5.1	2.7	6.1	4.7	2.6	2.9	3.4
Salem	16.7	17.5	15.6	15.9	17.2	19.2	17.3	13.6	20.3	18.0	15.5	18.8
Kool	26.7	25.7	24.0	22.1	34.6	30.8	27.9	21.8	35.9	38.8	37.2	33.1
Newport	5.8	7.4	9.0	11.3	18.6	22.4	27.7	36.4	4.5	8.7	10.8	13.3
Bright	-	-	-	.3	-	-	-	.2	-	-	-	.2
More	2.1	2.1	3.2	2.4	1.2	0.8	2.3	.8	2.2	1.5	2.7	1.4
B & H	6.8	7.7	8.8	9.9	11.1	11.8	11.4	11.4	7.3	7.3	10.4	11.7
Va. Slims	2.6	3.1	3.3	2.8	4.5	4.2	4.2	3.5	2.6	4.4	4.3	3.4
Players	-	-	-	.4	-	-	-	.8	-	-	-	.1
Vantage	1.4	1.1	1.3	1.6	.7	.8	1.0	.5	1.0	.6	1.4	1.8
Merit	1.0	1.0	1.4	1.0	.7	1.0	1.2	.5	1.2	1.3	1.2	1.5
Now	.3	.3	.3	.2	.2	.2	.2	-	.8	.3	.1	.2
Carlton	.4	.5	.9	.9	-	-	-	-	.2	.4	.7	.2
Barclay	-	.4	.4	.3	-	.2	.2	.3	-	.3	.1	.1
Kent	2.3	1.3	1.4	1.4	.2	[illegible]	-	.2	1.0	1.3	.7	.3
Century	-	-	-	-	-	-	-	.2	-	-	-	-
Generics	-	-	-	-	-	-	-	-	-	-	-	-

EXHIBIT 156

→ SCH, 1/19/92
As we discussed
1) The time period covered is critical to our business analysis and '93 outlook. Therefore lets pay to get problem fixed.
2) We need to understand details of this — history, effect, long-term suggested solutions (what we expect from MARC) — please set up
3) We need to have a serious discussion with MARC on who pays and #2 (above). WPW is going to be notified of the above and that meeting should be Jeff & Jack Irwin at minimum.

January 13, 1992

TO: S. C. Hawkins

FROM: K.C. Pasterczyk

RE: Direct Mail Overpenetration Problem in Diary

Shari, I thought it would be a good idea to get all the problems we've been having with the Camel Cash direct mailings' overpenetration in the Diary. This is a BIG problem. Right now it seems to be affecting only Camel, but we know there was an earlier problem with the Winston Select mailing and as more brands get into continuity programs I believe the problem will mushroom.

OK?

cc: WPW, PSC, RCP, JYM, DHA

BACKGROUND

During late October as we were looking at August Diary results, we discovered a huge volume and buyer share influx to Camel during a period when Nielsen share was flat to down suggesting to us that something was wrong with Diary data. On further investigation we hypothesized that the August Camel Cash direct mailing had overpenetrated the Diary. After several episodes of miscommunication between us and MARC, a cross match was run for the August mailing as well as for the November mailing (by this point Gail realized that if a problem existed that had not been corrected for in August, it probably was being perpetuated throughout all Camel Cash mailings). By mid-December, the cross match was provided to MSA to determine the degree of overpenetration in both mailings.

MSA's analysis indicated that a general market penetration of 4.5% with the August mailing had yielded a penetration of 12.8% in the August diary; furthermore, the November mailing netted a general market penetration of 4.9% but 16.7% the November diary -- both HUGE problems. At this point, we reminded MARC that another Camel Cash mailing was scheduled in January and asked them to control for Diary overpenetration. They indicated to us that the mail file was already pulled and it was too late, short of stopping the printer at a significant cost to the Brand.

ISSUES TO BE ADDRESSED

There are a number of issues that I feel need to be addressed ASAP.

- Why does this overpenetration problem continue to occur?

  In particular, after the August and November problems were brought to the attention of MARC, why didn't they start looking into the upcoming January mailing before it was too late to impact the mailing?

  In addition, if database and direct marketing managers at MARC knew that a significant portion of the planned direct mail recipients were groups that they did not have controls in place to cover, why didn't they at least bring the problem to our attention before the problem occurred not once but three times?

- Who is going to pay to make the outstanding Diary corrections that need to be made?

  We (Tracker/Diary budget $2000, Camel BU $1800) paid for correcting the November problem before November processing occurred.

  There will be another $4000 charge to correct the January problem when that data is being processed.

  The biggest cost will be to correct the August problem because all the data from August forward will have to be reprocessed and back data corrected on PCMaris. MSA's estimate for this correction is $50,000, which includes the monthly as well as the average databases. I had heard that consideration was being given internally to not correcting back data, but because we do fairly regular diary analyses for our brand (not to mention the constant questions that seem to be coming from senior RJR management about Camel's performance) we feel strongly that back data must be corrected on PCMaris.

- As we have discussed before, the promotion penetration model needs to be reviewed and updated to ensure that these kinds of problems don't occur in the future, not only on Camel but on all brands as their marketing programs become increasingly complex and direct marketing recipients include lots of different kinds of database names.

I am glad that you are setting up a meeting for us to meet soon with representatives from MARC. I think this problem is a major one that needs to be addressed by BIAD management as well as MARC's Greensboro office management. Communication between MARC's own departments as well as between MARC and RJR needs improvement. Let me know however I can help.

Reggie

R. C. Pasterczyk

cc: P. S. Cohen
G. R. Davis
E. R. Hardman
W. P. Whitlatch

RJR CONFIDENTIAL

BUSINESS INFORMATION & ANALYSIS RESEARCH PROPOSAL
(BIAD #93-13121)

TITLE: Camel Advertising & Smooth Magazine Qualitative Research

BACKGROUND:

The CAMEL Brand Team has been developing advertising creative for Project HG (High Ground), designed to expand the brand's franchise by leveraging avenues where CAMEL may have an advantage relative to Marlboro. The strong female response to CAMEL Cash (versus strong male appeal of MAT) and the RU image that is very appealing to females suggest that further female appeal may be leveraged via inclusion of female camels in the ad pool. Recent qualitative learning in Atlanta and Boston has confirmed that female prospects are very receptive to the inclusion of female camels in Joe's world. Male franchise smokers also find this idea acceptable as long as Joe is clearly in control of the situation. The purpose of this proposal is to request funds for a final round of qualitative research to explore the need for any further refinements/modifications to advertising creative prior to a quantitative test scheduled for early July.

The groups will also be used to evaluate the potential of the "Smooth Magazine" to provide an integrated forum for all direct mail communication to franchise and competitive smokers.

RESEARCH OBJECTIVES:

The research objectives are as follows:

- To explore the communication and appeal of alternative advertising creative that includes female camels.
- To explore consumer reaction to the Smooth Magazine as a vehicle for integrating the CAMEL direct mail program to franchise and competitive smokers.

USE OF RESULTS:

These groups will be utilized as the final screening process to refine/ hone advertising creative prior to a quantitative advertising communications test scheduled for early July.

These groups will also aid in the further development and refinement of the Smooth Magazine as an integrated direct mail vehicle to franchise and competitive smokers.

HYPOTHESES TO BE EXPLORED:

1. Advertising that features a female camel in the context of Joe's "lady" will be more impactful among female prospects than in the context of Joe's Place where the female camel is introduced in the context of a group social situation.

2. Advertising that features a female camel in the context of Joe's "lady" will be appealing to female prospects and be acceptable to male franchise as long as Joe is clearly in control of the situation.

3. Female prospects and the male franchise alike will prefer the female camel to be portrayed as a sophisticated, self-confident female as indicated by clothing, hair style, etc. (i.e., black dress, stylish hairdo).

4. Participants will also prefer the female camel to have a definite personality as illustrated by varying facial expressions in different executions.

5. The communication of CAMEL Lights style information in advertising will enhance female interest in CAMEL as providing a style they prefer.

6. The "Smooth Magazine" will add value to the CAMEL direct mail program by increasing interest in and excitement about CAMEL direct mail materials.

7. Participants will prefer a format that enhances communication by featuring colorful, impactful visuals and less copy.

Qualitative Research Caveat:
Interpretations of the learning from qualitative research is subjective. Therefore, the hypotheses generated by this study should be considered as suggestive rather than definitive.

METHODOLOGY:

The recruiting specifications as well as timing, location and moderator are as follows.

8 One-on-Ones (1[illegible] minutes) -- 4 per night

- [illegible] Female Occasional CAMEL Users (Positive purchase intent and purchased CAMEL (excluding non-filter) within last [illegible] months) -- 21-27 FF/FFLT non-menthol 85/100mm (excluding non-filter, ULT)
- 2 Male Franchise - FF/FFLT 85/100mm CAMEL franchise (x NF, x ULT)
  - 1 @ 21-[illegible]
  - 1 @ 25-34
- 3 Male Occasional CAMEL User (Positive purchase intent and purchased CAMEL (excluding non-filter) within last [illegible] months) -- FF/FFLT non-menthol 85/100mm (excluding non-filter, ULT)
  - 1 @ 21-24
  - 2 @ 25-34

6 Groups (2 hours @) -- 3 per night

- 2 Female Occasional CAMEL Users (Positive purchase intent and purchased CAMEL (excluding non-filter) within last 3 months) -- 21-27 FF/FFLT non-menthol 85/100mm (excluding non-filter, ULT)
- 2 Male Franchise - FF/FFLT 85/100mm CAMEL franchise (x NF, x ULT)
  - 1 @ 21-24
  - 1 @ 25-34
- 2 Male Occasional CAMEL User (Positive purchase intent and purchased CAMEL (excluding non-filter) within last 3 months) -- FF/FFLT non-menthol 85/100mm (excluding non-filter, ULT)
  - 1 @ 21-24
  - 1 @ 25-34

Timing	Location	Facility	Moderator
6/16-17	Kansas City	Quality Controlled Services	Gerry Bell (Nicholas Research)

COST:

Moderating fees	$ 13,200
Report	2,000
Recruiting/Gratuities	22,400
Facility Rental	3,000
Estimated Travel	1,500
Total Cost	$42,100

SOURCE OF FUNDS: 1993 CAMEL Marketing Research Budget

CONCURRENCE:

	Initials	Date	Check here for copy of Signed Proposal
Ms. R. C. Pasterczyk	RCP	6/2	✓
Mr. E. C. Leary	ECL	6/3	

SIGNED PROPOSAL DISTRIBUTION LIST:

Concurrence List
E. M. Blackmer
P. S. Cohen/E. J. Fackelman
J. Coggins
N. R. Monda
A. W. Howell
K. L. Wood
E. Scott
Gerry Bell (Nicholas Research Assoc., Inc.)
BIAC

September 4, 1991

TO: Reggie Pasterczyk

FROM: Ken Dobbins

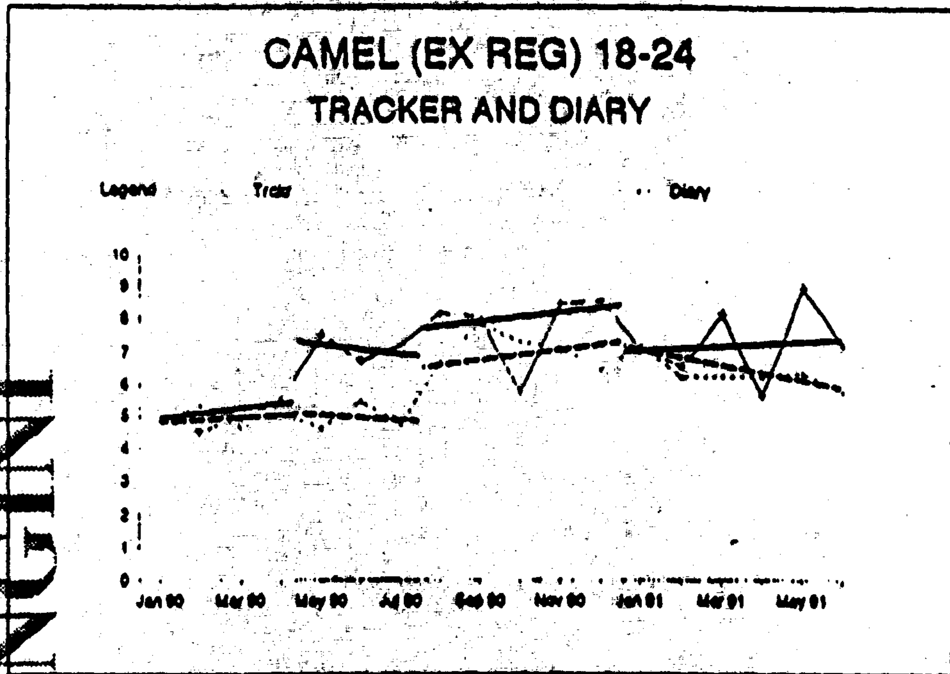
SUBJECT: CAMEL Share

Due to your questions about the relative flatness of CAMEL's Brand Share, we have investigated the role the Brand Tracking system may have played. We looked at both methodology and what exactly is being measured.

We do not believe that the Brand Tracker system has affected CAMEL's brand share among 18-24 year old smokers. Tracker's methodology has remained virtually unchanged in its 11-year history of collecting Usual Brand Share. Using a nationally representative sample, both the household and the smoker within the household are selected on a random basis. The Usual Brand question's placement and wording have not changed in over four years. The number of 18-24 year old completes has varied somewhat due to the ASET boost; however, the weighting scheme has remained constant, so weighted data should not be affected.

We are measuring Usual Brand as the brand smoked most often using virtually the same question we have used for the past eleven years. Changing or replacing the Usual Brand question would disrupt the consistency of the data and would prevent comparisons to past data. We agree, however, that the environment is slowly changing and additional questions about Usual Brand would enhance this section by providing information about brand loyalty and "fringe" versus "core" users.

Reggie Pasterczyk
September 4, 1991
Page 2



Brand Tracker data is consistent with data from other sources, as shown in Graph 1a. During the four stages of SOS performance, Brand Tracker reported overall higher share numbers than did Diary Panel, but similar trends have been reported for both systems. The only difference was in the January to May 1991 period where Diary Panel showed a slight decrease while Brand Tracker showed a slight increase.

In conclusion, we feel that the Brand Tracker system continues to be an accurate tool for the collection of Usual Brand Share.

JK:shf

cc: Bill Penick
Martha Abbott
Mike Coppotelli

CONFIDENTIAL

October 2, 1989

TO:
Ms. L. J. Beasley
Mr. J. V. Bellis
Ms. L. L. Bender
Mr. E. M. Blackmer
Ms. P. S. Cohen
Ms. E. C. Etzel
Mr. E. J. Fackelman
Mr. M. G. Fagan
Mr. T. F. Fields
Mr E. Galyan
Dr L. Gemma
Mr C. Harris
Ms C. S. Hunter
Mr N. Iauco
Ms J. Y. Marshall
Ms. K. V. McCaffrey
Mr. J. R. Moore
Mr. D. H. Murphy
Mr. H. T. Parks
Ms. R. C. Pasterczyk
Mr. G. C. Pennell
Mr. R. M. Sanders
Ms. M. A. Simmons
Mr. L. B. Smith
Mr. S. L. Snyder
Mr. S. R. Stravsburg
Ms. S. V. Teague
Mr. K. L. Verner
Mr. J. D. Weber
Mr. V. P. Whitlatch

FROM: John R. Hribar

RE: YOUNGER ADULT SMOKER MONTHLY SUMMARY REPORT

Attached is the Younger Adult Smoker Monthly Summary Report from the Younger Adult Smoker TRACKER for the period ending August, 1989.

John R. Hribar

John R. Hribar
BUSINESS INFORMATION DEPARTMENT

JRH/dd

Attachment

cc: BIC

51721 8093

51434 7400

RJR471212

YOUNGER ADULT SMOKER MONTHLY SUMMARY REPORT

THROUGH AUGUST, 1989

PURPOSE:

This report provides a summary of share of smoker performance for RJRT and key competitors among younger adult smokers.

COMPANY PERFORMANCE:

- RJRT's share among 18-24 smokers (16.6%) showed signs of growth in the twelve month period ending August, 1989 - up .8 share points versus year ago. Our share among 18-20 smokers was flat, however. Philip Morris (67.1%) remained about even with year ago as did Lorillard (11.8%).

NATIONAL [redacted] YOUNGER ADULT SMOKER BRAND PERFORMANCE:

- CAMEL's (excluding Regular) share of smokers accounted for virtually all of the company's gains. Among 18-24 smokers, CAMEL's share (4.5%) was up 1.0 share points in the twelve months ending August, 1989 versus year ago. The brand also posted a gain (+1.1 share points) among 18-20 smokers on a year ago basis. The attached graph illustrates that, although CAMEL is showing gains on a year ago basis, its trend flattened in the June Quarter. This apparent flattening will be monitored in future reports.
- MAGNA's share of smokers at the Total U.S. level was .1% for both 18-24 and 18-20 subgroups.

OTHER RJRT BRAND PERFORMANCE:

- SALEM's share trend remained relatively flat at 4.9% among 18-24 smokers and 3.3% among 18-20 smokers on a year ago basis. The attached graph shows that SALEM's trend has been relatively flat since June, 1988 when it appears to have halted a declining trend among 18-24 smokers. VINSTON's share of 18-24 smokers (3.9%) was about flat in the period with continued trend erosion among 16-20 smokers (down .5 share points to 3.3%) VANTAGE (1.1%), DORAL (1.3%), MORE (.1%) and NOW (.2%) remained relatively stable with minimal presence among 18-24 smokers.

COMPETITIVE BRAND PERFORMANCE:

- Marlboro (56.1%) continued its long term share of smoker trend growth among 18-24 smokers, up 1.8 share points August year to date versus year ago. Newport (11.4%) also continued its long term growth trend with a share of smoker increase of .5 share points among 18-24 smokers. Virginia Slims (3.9%) continued to lose share, down 1.3 share points. Benson & Hedges, Merit and Kool remained relatively flat.

produced by RJRTC in MANGINI

YOUNGER ADULT SMOKER MONTHLY SUMMARY REPORT
SHARE OF SMOKERS - PERIOD ENDING 8/31/89

COMPARISON OF YEAR ENDING 8/31/89 VERSUS YEAR ENDING 8/31/88

Company/ Claimed Usual Brand	Current 12 Month Period (September 1988 - August 1989) Total 18-24	Male 18-24	Female 18-24	Total 18-20	Total 21-24	Change vs. Previous 12 Month Period* Total 18-24	Male 18-24	Female 18-24	Total 18-20	Total 21-24
R. J. Reynolds	16.6	18.5	14.5	14.0	18.2	0.8	1.9	-0.5	-0.2	1.6
Philip Morris	67.1	66.1	68.2	70.3	65.1	0.2	0.2	0.3	0.5	-0.3
Lorillard	11.8	10.8	12.8	11.8	11.8	0.2	-0.1	0.4	0.4	0.1
Brown & Williamson	2.6	2.6	2.6	2.3	2.8	-0.5	-0.3	-0.6	0.1	-0.7
Liggett & Myers	0.1	0.1	0.2	-	0.2	-0.2	-0.2	0.0	0.0	-0.2
American	0.4	0.3	0.5	0.3	0.5	-0.1	-0.3	0.1	-0.1	-0.1
Camel	4.8	7.4	1.8	5.8	4.1	0.9	1.3	0.2	1.1	0.6
Camel (Ex NF)	4.5	6.9	1.8	5.4	3.9	1.0	1.6	0.2	1.1	0.8
Magna	0.1	0.2	-	0.1	0.2	0.1	0.2	0.0	0.1	0.2
Winston	3.9	4.9	2.8	3.3	4.2	-0.2	0.0	-0.5	-0.5	0.0
Salem	4.9	3.4	6.7	3.3	5.9	0.4	0.5	0.4	-0.1	0.8
Vantage	1.1	1.4	0.9	0.6	1.5	0.1	0.1	0.1	-0.4	0.5
Doral	1.3	0.9	1.8	0.7	1.7	0.1	0.1	0.2	0.1	0.2
More	0.1	-	0.2	0.1	0.2	-0.2	-0.2	-0.3	-0.3	-0.1
Now	0.2	0.3	0.2	0.2	0.3	0.0	0.2	-0.1	0.2	0.0
Century	-	-	0.1	-	0.1	-0.4	-0.5	-0.2	-0.2	-0.3
Marlboro	56.1	61.5	50.1	63.2	51.7	1.8	1.3	2.1	0.9	1.3
Virginia Slims	3.9	0.2	8.1	2.2	5.0	-1.3	0.1	-2.8	-0.7	-1.4
Benson & Hedges	3.0	1.4	4.7	2.5	3.3	-0.2	0.0	-0.4	0.6	-0.5
Merit	2.2	2.1	2.4	0.9	3.1	-0.2	-0.3	0.1	-0.5	0.2
Cambridge	0.4	0.2	0.7	0.3	0.5	0.0	-0.2	0.4	-0.1	0.1
Newport	11.4	10.4	12.5	11.5	11.3	0.5	0.3	0.8	0.4	0.5
Kool	1.7	2.0	1.3	1.5	1.8	-0.5	-0.4	-0.6	0.1	-0.8
Generic/Pvt Label	0.5	0.5	0.5	0.5	0.5	0.0	0.0	0.0	0.2	-0.1

*NOTE: Changes smaller than 0.5 share points are not significant.

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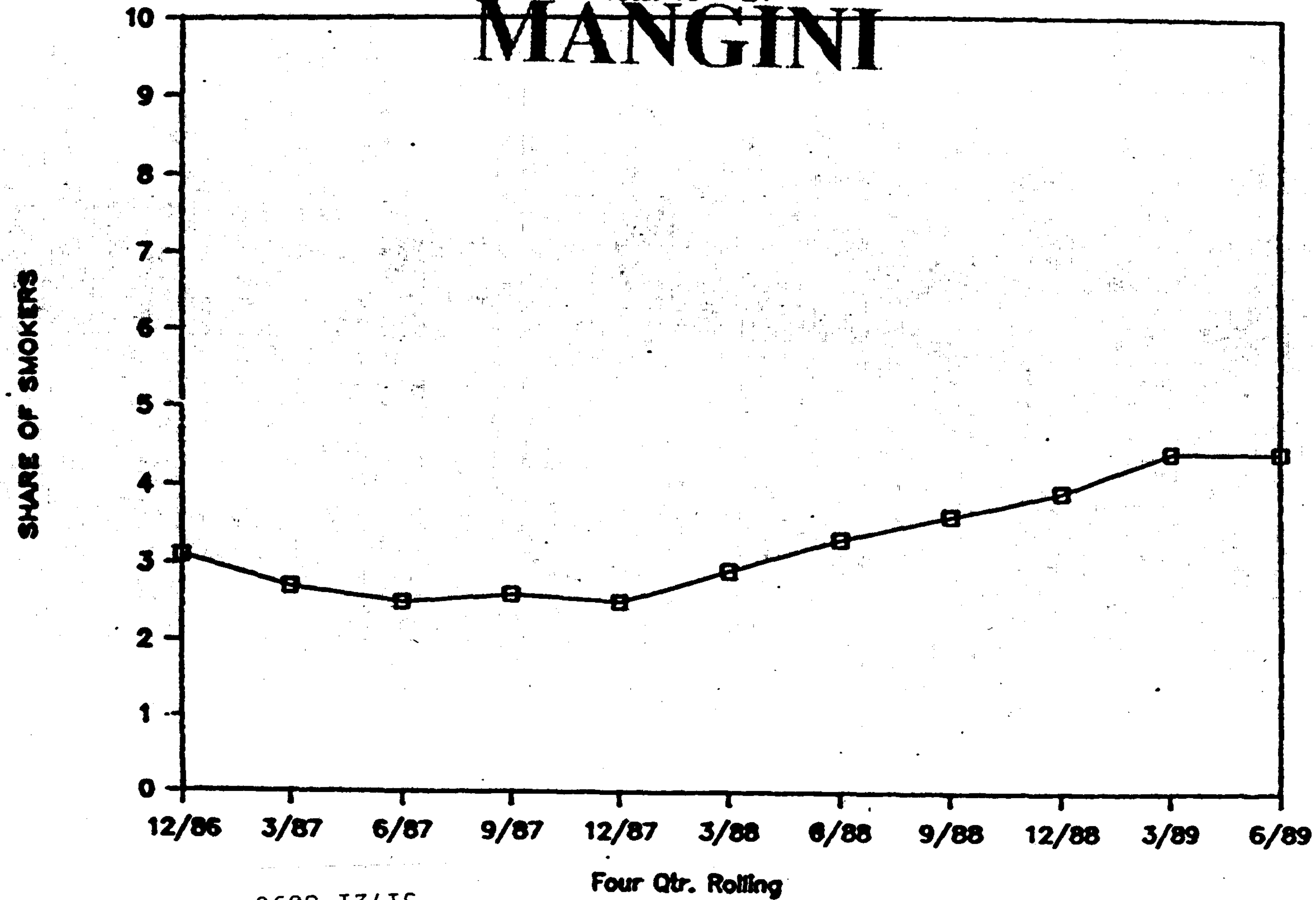
TOTAL CAMEL

Total 18 – 24



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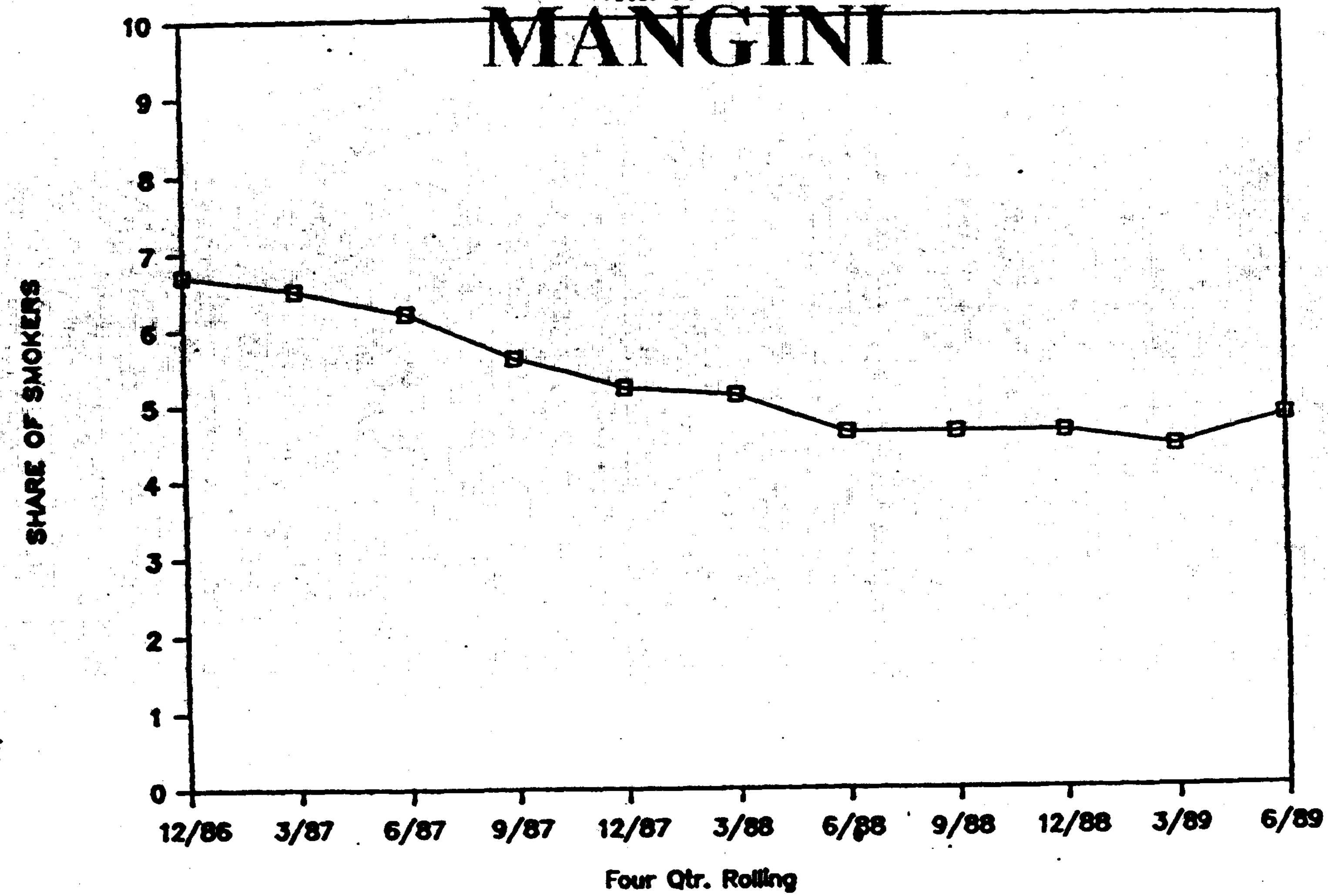
TOTAL SALEM

Total 18 – 24



5/34

PLAINTIFF'S DEPOSITION EXHIBIT 160

CONFIDENTIAL

May 18, 1989

TO: Mr. J. V. Bellis
Ms. L. L. Bender
Mr. E. M. Blackmer
Ms. L. J. Breininger
Ms. P. S. Cohen
Ms. E. C. Etzel
Mr. E. J. Fackelman
Mr. T. F. Fields
Mr. P. E. Galyan
Dr. J. L. Gemma
Mr. L. V. Hall, Jr.
Ms. T. C. Harris
Mr. J. R. Hribar
Ms. C. S. Hunter
Ms. J. Y. Marshall
Ms. K. V. McCaffrey
Mr. J. R. Moore
Mr. D. H. Murphy
Mr. H. T. Parks
Ms. R. C. Pasterczyk
Mr. G. C. Pennell
Mr. R. H. Sanders
Ms. M. A. Simmons
Mr. L. B. Smith
Mr. S. L. Snyder
Mr. K. L. Verner
Mr. J. D. Weber
Mr. W. P. Whitlatch
Mr. J. T. Winebrenner

FROM: K. Prasad

RE: YOUNGER ADULT SMOKER MONTHLY SUMMARY REPORT

The attached is the Younger Adult Smoker Monthly Summary Report from the MRD's Younger Adult Smoker TRACKER for the period ending February, 1989.

Krishna Prasad

Krishna Prasad
MARKETING RESEARCH DEPARTMENT

KP/dc

Attachment

cc: MRIC

51721 8098

51434 7379

RJM046050

YOUNGER ADULT SMOKER MONTHLY SUMMARY REPORT

THROUGH FEBRUARY, 1989

BACKGROUND:

This report provides a brief share of smoker performance summary by key younger adult smoker subgroups (Total 18-24, Male 18-24, Female 18-24, Total 18-20, and Total 21-24 smokers) for RJRT brands and key competitors. The report focuses on the 12 months ending 2/28/89 versus the 12 months ending 2/29/88. The information for this summary report is from MRD's Younger Adult Consumer TRACKER implemented on 11/1/88. This report is intended to provide summary level data. As the sample sizes within younger adult smoker subgroups build in 1989, more detailed anolyses and precise quarterly, semi-annual, and annual comparisons can be made.

SHARE OF SMOKER PERFORMANCE SUMMARY:

- RJRT's share among total 18-24 smokers declined 1.3 share points in the 12 months ending February, 1989 to 15.2%. Philip Morris' share among 18-24 smokers remained flat at 66.5% in the current 12 months. Lorillard's 18-24 share of smokers was up 1.3 share points to 12.7% due to growth by Newport. Brown & Williamson's share among 18-24 smokers (3.3%) was flat in the current 12 month period.
- CAMEL's (ex. Regular) share (4.1%) among 18-24 smokers in the 12 month period ending February, 1989 was up 1.2 share points versus year ago. CAMEL's improved performance versus year ago among 18-24 smokers is benefiting from the strong younger adult smoker emphasis in the brand's advertising and promotion strategy throughout 1988.
- SALEM's share among total 18-24 smokers continued a slow decline in the current 12 month period (4.4%). The brand showed signs of softness among 18-20 smokers and 18-24 females.
- MAGNA's share of smokers reached 0.7 share points among 18-24 smokers in the current quarter in areas where the brand is in distribution (Pacific Mountain and North Atlantic sales areas and the State of Florida combined).
- WINSTON continued its long term share decline among younger adult smokers across virtually all subgroups. WINSTON's share in the 12 month period ending February, 1989 was 3.6% among total 18-24 smokers, down somewhat from year ago. The brand's biggest loss was among 18-24 male smokers - down 1.4 share points to 4.4%.
- VANTAGE's share was flat at 1.1% in the current 12 month period among 18-24 smokers. The brand was also relatively stable across all subgroups.
- On a 12 month comparison, Marlboro's share among total 18-24 smokers was stable at 54.6%. This represents a slowing in the brand's long term growth trend among 18-24 smokers.

- Nevport's share among 18-24 smokers grev 1.3 share points to 12.1% versus a year ago. The gain vas due to a 2.2 share point increase among 18-24 females.

- On a 12 month comparison, Kool's 18-24 share of smokers remained relatively flat at 2.2%. The brand vas flat across all subgroups. This stability represents a slight improvement relative to the brand's long term share decline.

YOUNGER ADULT SMOKER MONTHLY SUMMARY REPORT
SHARE OF SMOKERS - PERIOD ENDING 2/28/89

COMPARISON OF YEAR ENDING 2/28/89 VERSUS YEAR ENDING 2/29/88

COMPANY/ CLAIMED USUAL BRAND	CURRENT 12 MONTH PERIOD (MARCH 1988-FEBRUARY 1989)					CHANGE VS PREVIOUS 12-MONTH PERIOD				
	TOTAL 18-24	MALE 18-24	FEMALE 18-24	TOTAL 18-20	TOTAL 21-24	TOTAL 18-24	MALE 18-24	FEMALE 18-24	TOTAL 18-20	TOTAL 21-24
R J REYNOLDS	15.2	16.9	13.2	13.1	16.3	-1.3	-0.7	-2.1	-0.7	-1.4
PHILIP MORRIS	66.5	65.2	67.9	69.0	65.0	0.1	0.8	-0.8	-1.5	0.5
LORILLARD	12.7	12.0	13.5	12.7	12.7	1.3	0.5	2.3	1.7	1.2
BROWN & WILLIAMSON	3.3	2.9	3.7	2.6	3.7	0.0	-0.7	0.8	0.2	0.0
LIGGETT & MYERS	0.1	0.2	0.1	-	0.2	-0.1	0.0	-0.2	-0.1	-0.1
AMERICAN	0.5	0.7	0.3	0.5	0.5	0.0	0.2	-0.1	0.2	-0.1
CAMEL(EX. REGULAR)	4.1	4.2	1.6	4.9	3.6	1.2	2.0	0.2	1.6	0.9
SALEM	4.4	3.3	5.8	2.6	5.5	-0.6	0.0	-1.1	-1.2	-0.1
WINSTON	3.6	4.4	2.7	3.7	3.5	-0.8	-1.4	-0.3	0.3	-1.4
VANTAGE	1.1	1.4	0.8	0.5	1.4	-0.1	0.1	-0.4	-0.5	0.0
CORAL	1.1	0.7	1.6	0.6	1.4	0.1	-0.1	0.5	-0.1	0.3
MARLBORO	54.6	59.7	49.1	62.1	50.4	0.1	-0.4	0.7	-0.9	0.1
VIRGINIA SLIMS	4.7	0.2	9.7	2.3	6.1	-0.2	0.2	-0.5	-1.1	0.4
BENSON & HEDGES	2.8	1.3	4.5	2.1	3.2	-0.5	0.0	-1.0	0.2	-0.8
MERIT	2.3	2.0	2.7	1.1	3.0	-0.1	0.0	0.0	0.1	0.0
CAMBRIDGE	0.5	0.5	0.4	0.3	0.5	0.2	0.3	0.0	0.0	0.2
NEWPORT	12.1	11.3	12.9	12.5	11.8	1.3	0.4	2.2	1.8	1.0
KOOL	2.2	2.5	2.0	1.6	2.6	-0.4	-0.5	-0.1	-0.1	-0.4
GENERIC/PVT LABEL	0.7	0.6	0.8	0.6	0.7	0.2	0.2	0.3	0.2	0.2

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April 8, 1991

TO:	~~Ms. M.R. Abbott~~	Ms. J.Y. Marshall
	Mr. E.M. Blackmer	Mr. J.R. Moore
	Ms. G.R. Davis	Ms. R.C. Pasterczyk
	Mr. E.J. Fackelman	Ms. C.M. Smith
	Mr. E.C. Leary	Mr. J.D. Weber

FROM: Scott Cairey SGC

SUBJECT: CAMEL 18-34 FLASH REPORT - MARCH 1992

PERFORMANCE TRACKING

Below is a summary of adult smoker 18-24 and 18-34 performance versus goal for CAMEL (ex Regular) among full price smokers. In addition, the 1991 share of full price (SOFP) is reported for comparison with the current performance of CAMEL (ex Regular). The Y-T-D March SOFP among 18-24 and 18-34 CAMEL (ex Regular) is significantly above goal with the March CAMEL (ex Regular) monthly share numbers rebounding significantly from February.

	Adult Smokers 18-24: Share of Full Price Smokers (%)						Adult Smokers 18-34: Share of Full Price Smokers (%)					
	Year	YTD March		Diff	Monthly		Year	YTD March		Diff	Monthly	
	1991	Goal	Actual	Goal	Feb	Mar	1991	Goal	Actual	Goal	Feb	Mar
CAMEL (x Reg)	[illegible]	9.1	12.5	3.3*	8.7	14.3	5.8	6.0	8.0	2.0*	6.7	8.9
RJR Full Price	16.1	NA	19.4	NA	18.2	19.6	19.5	NA	20.5	NA	21.9	19.7

* *Significant at the 80% confidence level*

	Adult Smokers 18-24: Share of Total Smokers (%)					Adult Smokers 18-34: Share of Total Smokers (%)				
	Year	YTD Mar	Diff	Monthly		Year	YTD Mar	Diff	Monthly	
	1991	Actual	1991	Feb	Mar	1991	Actual	1991	Feb	Mar
CAMEL (x Reg)	7.7	11.5	3.8*	7.9	13.0	5.2	7.1	1.9*	5.9	7.8
RJR Total	17.1	19.8	2.7*	19.2	19.9	20.7	20.9	0.2	22.5	20.4

* *Significant at the 80% confidence level*

SGC:shm
Attachments
cc: Mike Coppotelli
Ken Dobbins
Jeff Walters

51721 8102

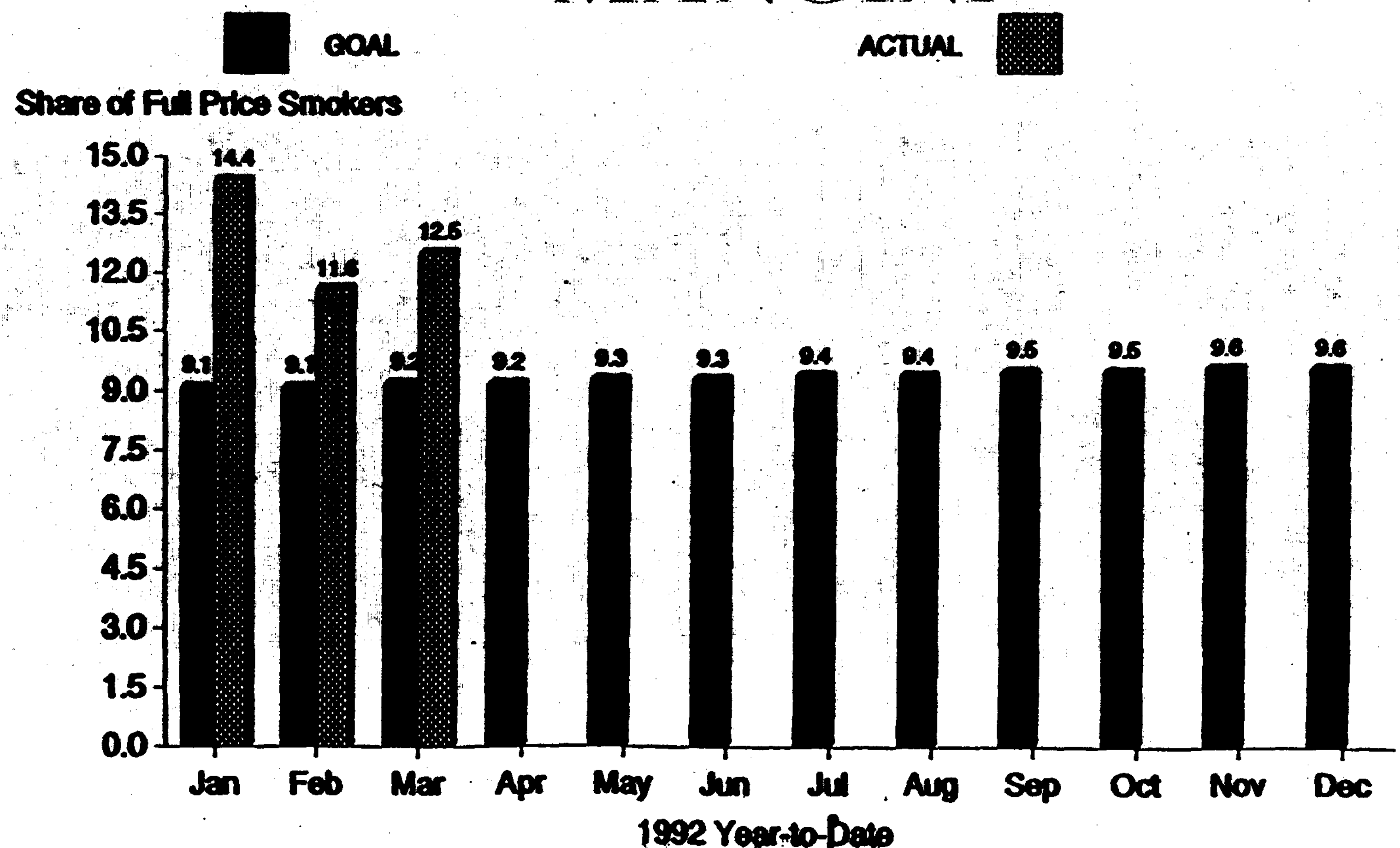
51348 7310

RJR462604

produced by RJRTC

CAMEL (Ex. Reg.) in ADULT SMOKERS 18-24

MANGINI



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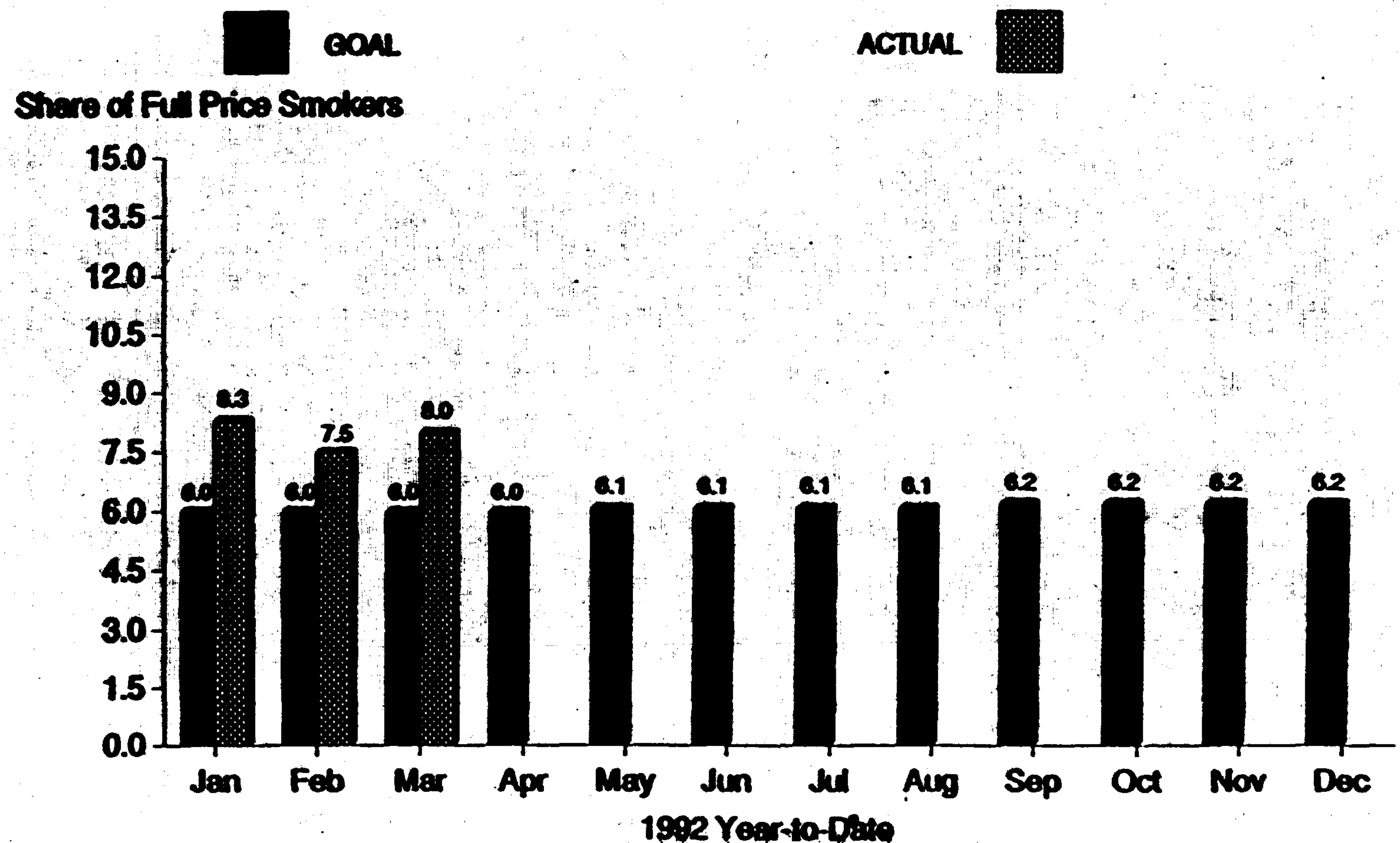
produced by RJRTC

CAMEL (Ex. Reg.)

in

ADULT SMOKERS 18-34

MANGINI



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N/A/R/C RESEARCH
APRIL, 1992

MARCH 1992 ADULT SMOKERS 18-34 SHARE (WEIGHTED)

SURVEY NO. 1480074
ACRS TABS

2

	MARCH 1992 TOTAL 18+	TOTAL 18-24	TOTAL 25-34	TOTAL 18-34	MALES 18-24	MALES 25-34	MALES 18-34	FEMALES 18-24	FEMALES 25-34	MARCH 1992 YEAR-TO-DATE TOTAL 18+	TOTAL 18-24	TOTAL 25-34	TOTAL 18-34	MALES 18-24	MALES 25-34	MALES 18-34	FEMALES 18-24	FEMALES 25-34
BASE - TOTAL FULL PRICE SMOKERS	1867	247	520	787	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	2322	411	838	1249	337	736
BRAND FAMILY SUMMARY																		
RJR	519	48	102	151	33	56	89	15	47	1558	145	330	476	101	194	295	44	136
	28.1	19.6	19.7	19.7	25.1	21.1	22.4	13.3	18.2	28.1	19.4	21.0	20.5	24.5	23.2	23.6	13.1	18.5
CAMEL	123	36	36	72	28	25	54	8	10	334	97	95	191	75	74	149	21	21
	6.6	14.6	6.8	9.3	21.5	9.5	13.5	6.6	4.0	6.0	12.9	6.0	8.2	18.3	8.8	12.0	6.3	2.8
CAMEL WIDES	2	2	-	2	1	-	1	1	-	2	2	-	2	1	-	1	1	-
	.1	.7		.2	.9		.3	.5		*	.2		.1	.3		.1	.2	
CAMEL (EXC. WF)	98	35	33	40	28	23	50	8	10	272	93	92	185	72	71	143	21	21
	5.3	14.3	6.3	8.9	21.0	8.5	12.7	6.6	4.0	4.9	12.5	5.8	8.0	17.5	8.5	11.5	6.3	2.8
NOW	17	-	1	1	-	1	1	-	-	63	1	11	11	-	7	7	1	4
	.9		.3	.2		.5	.3			1.1	.1	.7	.5		.8	.5	.2	.6
SALEM	141	4	35	40	1	11	11	4	25	425	20	109	129	8	35	44	12	73
	7.6	1.7	6.8	5.2	.5	4.0	2.8	3.1	9.7	7.7	2.7	6.9	5.5	2.0	4.2	3.5	3.5	10.0
VANTAGE	33	1	4	4	1	3	3	-	1	115	3	16	19	1	8	8	2	8
	1.8	.2	.7	.6	.5	1.0	.8		.4	2.1	.4	1.0	.8	.1	.9	.7	.7	1.1
WINSTON	181	6	25	31	6	15	18	2	10	544	21	92	114	15	66	81	7	26
	9.8	2.4	4.8	4.0	2.7	5.5	4.6	2.0	4.0	9.8	2.9	5.9	4.9	3.6	7.9	6.5	2.0	3.5
RJR FULL PRICE	519	48	102	151	33	56	89	15	47	1558	145	330	476	101	194	295	44	136
	28.1	19.6	19.7	19.7	25.1	21.1	22.4	13.3	18.2	28.1	19.4	21.0	20.5	24.5	23.2	23.6	13.1	18.5
MARLBORO	646	163	229	392	87	142	229	76	87	1867	473	701	1174	264	439	703	209	263
	35.0	66.0	44.0	51.1	65.8	53.8	57.8	66.3	34.0	33.7	63.1	44.6	50.6	64.2	52.4	56.3	61.9	35.7
MARLBORO MEDIUMS	42	11	8	20	9	5	14	2	3	107	29	39	68	20	28	49	9	10
	2.3	4.6	1.6	2.6	6.8	2.0	3.6	2.0	1.2	1.9	3.9	2.5	2.9	4.9	3.4	3.9	2.6	1.4

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M/A/R/C RESEARCH
APRIL, 1992

MARCH 1992 ADULT SMOKERS 18-34 SHARE (WEIGHTED)

SURVEY NO. 1480074
ACRS TABS

2

	MARCH 1992									MARCH 1992 YEAR-TO-DATE								
	TOTAL				MALES			FEMALES		TOTAL				MALES			FEMALES	
	18+	18-24	25-34	18-34	18-24	25-34	18-34	18-24	25-34	18+	18-24	25-34	18-34	18-24	25-34	18-34	18-24	25-34
BASE - TOTAL SMOKERS	2238	272	598	871	[illegible]	[illegible]	[illegible]	130	[illegible]	[illegible]	815	[illegible]	2599	442	933	1375	373	851
BRAND FAMILY SUMMARY																		
RJR	595	54	124	178	35	73	108	19	51	1804	161	382	543	106	224	330	55	158
	26.6	19.9	20.7	20.4	24.6	23.5	23.8	14.9	17.6	26.8	19.8	21.4	20.9	24.0	24.0	24.0	14.8	18.6
CAMEL	123	36	36	72	28	25	54	8	10	334	97	95	191	75	74	149	21	21
	5.5	13.2	5.9	8.2	19.9	8.1	11.8	5.9	3.6	5.0	11.8	5.3	7.4	17.1	7.9	10.9	5.7	2.4
CAMEL WIDES	2	2	-	2	1	-	1	1	-	2	2	-	2	1	-	1	1	-
	.1	.7		.2	.8		.3	.5		*	.2		.1	.3		.1	.2	
CAMEL (EXC. WF)	98	35	33	68	28	23	50	8	10	272	93	92	185	72	71	143	21	21
	4.4	13.0	5.5	7.8	19.5	7.3	11.1	5.9	3.6	4.0	11.5	5.2	7.1	16.3	7.6	10.4	5.7	2.4
DORAL	63	4	20	24	1	16	17	2	4	189	10	43	53	2	25	28	8	18
	2.8	1.3	3.4	2.7	.8	5.1	3.8	1.8	1.4	2.8	1.3	2.4	2.0	.6	2.7	2.0	2.1	2.1
MAGNA	4	2	1	4	1	1	2	2	-	15	4	7	12	2	5	7	2	2
	.2	.9	.2	.4	.4	.4	.4	1.4		.2	.5	.4	.4	.4	.6	.5	.6	.2
NOW	17	-	1	1	-	1	1	-	-	63	1	11	11	-	7	7	1	4
	.8		.2	.2		.4	.3			.9	.1	.6	.4		.7	.5	.1	.5
SALEM	141	4	35	40	1	11	11	4	25	425	20	109	129	8	35	44	12	73
	6.3	1.5	5.9	4.5	.4	3.4	2.5	2.7	8.6	6.3	2.5	6.1	5.0	1.9	3.8	3.2	3.2	8.6
VANTAGE	33	1	4	4	1	3	3	-	1	115	3	16	19	1	8	8	2	8
	1.5	.2	.6	.5	.4	.9	.7		.4	1.7	.4	.9	.7	.1	.8	.6	.6	1.0
WINSTON	181	6	25	31	4	15	18	2	10	544	21	92	114	15	66	81	7	26
	8.1	2.2	4.2	3.6	2.5	4.7	4.0	1.8	3.6	8.1	2.6	5.2	4.4	3.3	7.1	5.9	1.8	3.0
RJR FULL PRICE	519	48	102	151	33	56	89	15	47	1558	145	330	476	101	196	295	44	136
	23.2	17.8	17.1	17.3	23.3	17.9	19.6	11.7	16.2	23.2	17.8	18.5	18.3	22.9	20.8	21.4	11.9	16.0
RJR SAVINGS	76	6	21	27	2	17	19	4	4	246	16	52	68	5	30	35	11	22
	3.4	2.2	3.6	3.1	1.3	5.6	4.2	3.2	1.4	3.7	1.9	2.9	2.6	1.2	3.2	2.6	2.9	2.5
MARLBORO	646	163	229	392	87	142	229	76	87	1867	473	701	1174	264	439	703	209	263
	28.9	59.8	38.3	45.0	61.0	45.7	50.5	58.6	30.2	27.8	58.0	39.3	45.2	59.8	47.0	51.1	55.9	30.9
MARLBORO MEDIUMS	42	11	8	20	9	5	14	2	3	107	29	39	68	20	28	49	9	10
	1.9	4.2	1.4	2.3	6.4	1.7	3.2	1.8	1.1	1.6	3.6	2.2	2.6	4.6	3.0	3.5	2.4	1.2

RJR462608

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